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Europe's Business Newspaper

MONDAY OCTOBER 31 1994

Bosnian Serbs declare state of war after reverse

Bosnian Serb leader Radovan Karadzic declared a full-scale state of war after Serb forces suffered their greatest setback since fighting began in Bosnia. Bosnian government forces continued their offensive in the north-west of the country, raising fears of a Bosnian Serb counter-attack against Bihac, the Muslim enclave which is one of six UN safe areas in Bosnia. "If the pocket is attacked, the UN will have no choice but to request Nato air support," a UN spokesman said. Page 2

US midterm election outlook: A few closely watched races in the US midterm elections may be turning in favour of the Democrats, but the trend may not be enough to stop big Republican gains, including control of the Senate. Page 16; Ballot initiatives stir up voters. Page 5

Deutsche Telekom: Germany is set to announce which banks are to play leading roles in the privatisation of Deutsche Telekom, with Goldman Sachs, US investment bank, the most likely candidate to handle the international placing. Page 17

US rail bid battle intensifies: Union Pacific, US railway company, raised its bid for Santa Fe Pacific to \$20 a share or about \$8.5bn. It said its revised bid was more than 16 per cent higher than Burlington Northern Inc's latest offer, valued at \$17.13 a share or \$3.2bn.

Frelimo heads for Mozambique poll win: Mozambique last night seemed within reach of a lasting peace when the country's former rebel leader, Afonso Dhlakana, the head of Renamo, indicated he would accept the outcome of the country's first multi-party elections. Early results suggested a comfortable victory for the ruling Frelimo party led by President Joaquim Chissano (above). Page 4

White House shooting: The Clinton administration seized on Saturday's White House shooting to underscore its arguments that President Bill Clinton was right to have pushed for bans on semi-automatic assault weapons. Page 5

Union Bank of Switzerland: is again urging its 22,000 Swiss employees to vote their shares in support of the directors in their proxy fight with Zurich broker-fund manager Martin Koller over the bank's strategy. Page 17

Search for OECD chief in disarray: The search for a new secretary-general of the Organisation of Economic Co-operation and Development is again in disarray, with several new options being discussed by the 25 member countries of the Paris-based research body. Page 5

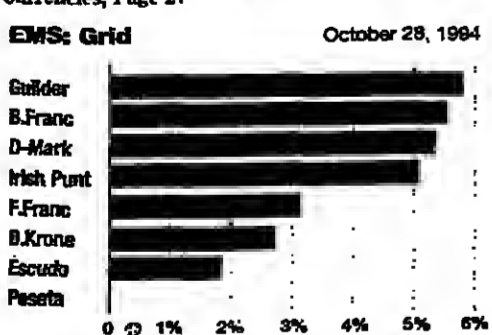
Airlines attack departure tax: The International Air Transport Association said the introduction from tomorrow of an airport departure tax in Britain was an example of government taxation policies undermining the recovery of the airline industry. Page 7

Major supports cabinet colleague: UK prime minister John Major offered strong backing for Treasury chief secretary Jonathan Aitken as the government prepared for a confrontation in parliament over allegations of ministerial sleaze. Page 7

China shows confidence abroad: China's leaders begin a series of foreign missions this week in a virtually unprecedented show of diplomatic zeal that underscores China's growing self-confidence internationally. Page 4

Trade mark changes: British businesses will be able to register three-dimensional shapes, sounds and smells as trademarks for the first time today as new trade mark legislation comes into force. Page 7

European Monetary System: There was no change in the order of currencies in the EMS last week, nor in their relative strengths, as the Bundesbank council held its interest rate policy steady. The Bank of Portugal trimmed two money market rates, with the regular rate for draining funds falling to 8.5 per cent from 8.75 per cent. Currencies. Page 27



The chart shows the member currencies of the exchange rate mechanism measured against the weakest currency in the system. Most of the currencies can fluctuate within 15 per cent of agreed central rates against the other members of the mechanism. The exceptions are the D-Mark and the guillem which move in a narrow 2.25 per cent band.

Lawsuits grow over sackings: Companies with US operations are being hit by a spate of employment discrimination lawsuits in the wake of widespread corporate "downsizing". Page 5

Pope names 30 cardinals: Pope John Paul II nominated 30 new cardinals, broadening the international base from which a future pontiff will be chosen. Page 2

Austria	5m22	Greece	2m50	Mexico	1m0.60	Cotea	CR13.00
Belgium	Dm1.20	Hong Kong	HS18	Morocco	MDm15	S.Arabia	SP11
Bulgaria	Bm65	Hungary	P1.85	Morocco	MDm15	Singapore	SG4.25
Cyprus	Lm6.00	India	IK215	Neth	F 4.25	Slovak Rep	SK1.00
Czech Rep	CR1.10	Israel	IR60	Nigeria	R 4.25	Sri Lanka	SL12.00
Denmark	CR0.30	Italy	SI46.50	Peru	MD17.00	Sweden	SP2.25
Egypt	ES5.00	Japan	JP50	Poland	CR1.50	Switzerland	SR15
France	FR4.16	Kuwait	FK23.25	Portugal	R4.40	Taiwan	TA1.50
Germany	GR4.20	Lebanon	LB1.50	Spain	MD1.50	Turkey	TR1.00
Greece	GR4.20	Ukraine	UK1.50	Philippines	MD1.50	US	US1.00
Holland	HL11	USSR	US1.50	Poland (paralymp)			

NEWS: EUROPE

FT writers examine the line-up at the European Commission after the struggle to divide up portfolios

Sir Leon felled in assault on his cleverness and power

By Lionel Barber in Luxembourg

Shortly after Mr Jacques Santer was appointed president of the European Commission, a senior Brussels diplomat delivered a friendly warning to Sir Leon Brittan. "Of all the Commissioners, you have the most to lose under Mr Santer."

Sir Leon was taken aback. One of the stars of the outgoing Delors Commission, he found it hard to believe that Mr Santer would wish to make the most of his talents.

The diplomat agreed, but pointed

out that Sir Leon risked being seen as too clever - and too powerful - for his own good in the incoming Santer Commission.

On Saturday afternoon, the warning came true. Sir Leon, chief EU trade negotiator, found himself stripped of the plum portfolio of central and eastern Europe, and pondering resignation. It is a stunning turnaround for a politician who was acclaimed a year ago as one of the architects of the Gatt Uruguay Round agreement and who had contemplated a bid to become Commission president.

Sir Leon's fall from grace may be

viewed as an inevitable come-uppance for someone who has never been a team player in Brussels. His caustic comments, razor-sharp intellect, and appetite for work have prompted jealousy as much as admiration among colleagues (with the exception of Mr Jacques Delors with whom he has much in common).

Sir Leon also misplayed his cards during negotiations over his new portfolio with Mr Santer. Colleagues such as Mr Manuel Marín, the senior Spanish commissioner, and Mr Padraig Flynn, Irish Commissioner, carried favour by offering to

surrender portions of their fiefdoms, but Sir Leon offered too little, too late. He also underestimated the Santer team's determination to end the division between economic and political affairs in the new Commission.

Thus, Sir Leon's opening offer was to give up the Northern Mediterranean, Turkey, Cyprus, Malta, and economic relations with former Yugoslavia; then he upped it to all of Asia, excluding Japan. On Saturday afternoon, he proposed giving up everything, including the powerful trade instruments, if he could keep relations with central Europe

and the former Soviet Union.

Colleagues concede the gesture made little sense because it undermined Sir Leon's chief argument: that the eastern European dossier largely turned on economics and trade rather than politics and security, the speciality of Mr Hans Van den Broek, the Dutch commissioner who eventually won the day.

Yet Sir Leon was also the victim of events beyond his control. The decision to reward Mr Van den Broek was driven by the need to compensate the Netherlands after France and Germany snubbed Mr Rudi Lubbers, the outgoing Dutch

prime minister, in his bid to succeed Mr Delors as Commission president.

Neither German commissioner supported Sir Leon on Saturday afternoon - a surprise since the Bonn government continues to admire his contribution to integrating central and eastern Europe into the EU. Was it just an accident that Mr Wim Kok, Dutch prime minister, had paid a visit to Chancellor Helmut Kohl just days before the Luxembourg meeting?

Sir Leon also appears to have suffered from lingering resentment over the British veto of Mr Jean-Luc

Dehaene, the Belgian prime minister who was the Franco-German candidate to succeed Mr Delors, at last June's European summit in Corfu.

The veto won Mr John Major, British prime minister, a reprieve within his ruling Conservative party. It also propelled a reluctant Mr Santer into the top Commission post.

However, it left Mr Major little leverage when it came to pleading Sir Leon's case with European allies - and Mr Santer. "Confit was not without cost," said a colleague of Sir Leon.

Santer's choice packs a political punch

Future president's priority was a Commission that worked as a team, writes Lionel Barber

Nobody said it was going to be easy. But after a day of tough talking inside Senningen Castle in the Grand Duchy of Luxembourg, Mr Jacques Santer emerged with a deal on the division of portfolios in the new expanded Commission.

The agreement boosted the authority of Mr Santer, a last-minute compromise candidate earlier this year to succeed Mr Jacques Delors as president of the Commission; but the cost could prove high if a disgruntled Sir Leon Brittan carries out his threat to resign after being stripped of his most prized portfolio, eastern Europe.

The question is whether Mr Santer - known as the man who never says No in his native Luxembourg - pursued an early deal at the expense of downgrading one of the few effective performers in the outgoing Delors Commission.

Supporters of Sir Leon leave no doubt that their commissioner was treated poorly, with little regard to his track record in championing closer relations with central and eastern Europe, perhaps the most important task for the EU over the next five years.

"On a conservative estimate, Sir Leon's workload drops 30 per cent," says one supporter. "It could be as high as 60 per cent."

Those more sympathetic to Mr Santer argue that the president-designate tried everything to broker a deal between Sir Leon and Mr Hans van den Broek, the Dutch commissioner who is the big winner in Saturday's share-out of responsibilities in external relations.

"We went through all sorts of different options," said a senior Santer aide, "but the eastern European dossier turned into a beauty contest."

Under the deal, Mr Van den Broek gains control of economic and political relations with central and eastern Europe, as well as retaining responsibility for the common foreign and security policy, subject to the authority of President Santer.

Sir Leon retains control of his multilateral trade dossier, which includes the setting-up of the World Trade Organisation, as well as relations with North America, Australia, New Zealand, Japan, China, South Korea, Macao and Taiwan.

Mr Santer made clear on Saturday evening that his overriding concern was to ensure that the new Commission works as a team when it moves into office next January, pending a vote of approval from the European parliament.

He also sought to assert his authority by selecting three areas in which he intends to be *primus inter pares*: common security and foreign policy; preparations for monetary union; and institutional issues ahead of the 1996 intergovernmental conference to review the Maastricht treaty.

Mr Santer said the need to end personal fiefdoms was even more urgent now that the Commission was expanded from the present 17 commis-

Santer's helpers: the new expanded European Commission



The newcomers: Austria and Finland have voted to join, Sweden and Norway vote next month on whether to accede in January

sioners to 21, assuming that Sweden and Norway join Austria and Finland in approving EU membership in next month's referendums.

Most Brussels insiders agree that Mr Santer - egged on by his influential chief of staff Mr Jim Closs - was right to end the artificial division between political and economic affairs inside the Commission's external relations apparatus, and to adopt a division on geographical lines.

The divisions led to constant sniping between supporters of Mr Van den Broek and Sir Leon in Brussels. Abruptly, it led to two commissioners landing in successive weeks in eastern European capitals to talk policy.

Yet the row over Sir Leon's treatment risks obscuring a broader judgment about the new Commission, its organiza-

tion and its likely future direction. As Mr Santer noted on Saturday, even the harshest Euro-sceptics cannot accuse the new Commission of being packed with bureaucrats. It is highly political: a former prime minister (Mrs Edith Cresson of France) sits alongside a man who almost became prime minister (Mr Neil Kinnock, the former UK Labour party leader). There are also five women, up from one in the outgoing Delors Commission.

None of the women is a shrinking violet. Ms Ritt Bjerregaard, who wins environment and nuclear safety in eastern Europe, enjoys a formidable reputation in her native Denmark; so too, Ms Anni Grädin, the Swedish diplomat, and Ms Monika Wolf-Mathies, the German trade union leader. Watch out for Ms Emma Bonino, the Italian abortion rights

activist who will handle the hitherto neglected consumer affairs dossier. A second *leitmotif* is Mr Santer's calculated effort to win Yes votes in the referendums in Scandinavia. Norway is rewarded with the fisheries portfolio, a vital national interest. Sweden wins the increasingly important judicial and immigration portfolio.

Mr Santer has also shown sensitivity to France which was worried about losing influence with the departure of Mr Delors. Mr Yves-Thibault de Silguy, a technocrat, takes over the plum job of economic and monetary affairs, putting him at the centre of the plan to create a single currency by the end of the century.

Mr Mario Monti, the distinguished Italian economist, will take charge of the single market, including fiscal policy and

capital movements; while Mr Kinnock, who has never held a ministerial post, is delighted with the transport portfolio which includes the planned multi-billion Euro rail and road trans-European networks.

At first sight, the choice of Mr Franz Fischler of Austria to take over the agriculture dossier is surprising. Few could have expected a new member-state to take charge of agriculture which accounts for more than half of the ECU70bn (£55bn) budget.

But no-one showed much interest in taking on a job which is bound to involve further unpopular reforms in the next five years, partly to prepare for the entry of the central European countries at the turn of the century. So Mr Santer handed the job to Mr Fischler, an old political ally.

Despite the call for collegial-

ity, it is possible to predict friction in some areas. Mr Padraig Flynn, the wily Irishman who runs social policy, is uneasy about Mr Cresson running training and education.

Nor were some commissioners delighted that the 10 socialist and social democrat commissioners met ahead of the Saturday session in Luxembourg.

Yet the real test will be how Sir Leon intends to work with Mr Van den Broek, should he decide to stay on. Those who know him predict that Sir Leon would find it impossible to resist carving out a role in central and eastern Europe, using his commercial trade instruments.

In that case, Mr Santer, who left most of the dirty work to Mr Closs during the portfolio negotiations, would have his authority tested to the full.

Efforts to curb sleaze have a hollow ring

Corruption measures still leave loopholes, argues Emma Tucker

With the British House of Commons facing almost daily allegations of parliamentary dishonesty, and corruption stories emerging steadily from France and Italy, Europe's commission and parliament are addressing how best to avoid such accusations themselves.

The parliament is not in a promising position. Recent reports have tainted it with an image of generous and inefficiently-administered expenses, corporate goodies dished out by zealous lobbyists, and thinly-justified overseas trips taken at the taxpayers' expense.

Mr Klaus Haensch, the parliament's president, says it needs to put itself in an "irreproachable" position, and this week announced measures to slash expenses.

"The situation has become untenable for cost reasons and for the image of the parliament abroad," he said, outlining proposals to cut the number of meetings parliamentary committees can hold outside either Strasbourg or Brussels to one every four years from one every year.

He has also proposed that the size of delegations visiting non-EU countries be halved. The two measures, he says, will save Ecu5.3m (£4.32m).

But even if the parliament smartens up its image on expenses, socialist MEPs are arguing that arrangements for declaring interests are not sufficiently stringent.

There is a mandatory register of financial interests, but it is not published as a parliamentary document and is therefore not widely circulated. Any European who wants to check his or her MP's interests has to travel to Strasbourg or to Brussels to transcribe information by hand. Photocopies are not permitted.

Secondly, the Socialist group argues that not enough detail is entered in the register. An MEP has to declare for whom he or she is working, but not what the work is.

Further, according to Mr Glyn Ford, Socialist spokesman on parliament rules, only direct financial interest has to be declared. Friendly associations with foreign countries, which result in all-expenses-paid holidays, for example, are not recorded.

"I would like to know these things when evaluating members' speeches," says Mr Ford. "If someone is giving his opinion on what is going on in East Timor, then an all expenses-paid trip to Indonesia is relevant."

Meanwhile, the parliament is discussing how best to ensure that Europe's 21 new commissioners, due to take office early next year, do not harbour political or financial conflicts of interest.

Commissioners have always had to take oaths ahead of

their period in office, declaring their full independence and promising not to seek earnings from any other source. This led to certain commissioners resigning over obvious interests. For example, Mr Abel Matutes, the former Spanish commissioner, handed over control of his hotel group to his brother before going to Brussels.

This time, the parliament is determined to use the extra powers granted to it under the Maastricht treaty, to vet thoroughly the incoming commissioners. As a result, the appointees will be asked to answer questions in public and on the record for the first time.

Parliament points out in a set of recommendations adopted by its committee on institutional affairs that this process will be the "only democratic element" in choosing the new commissioners, who are appointed by the governments of the member states.

The vetting is likely to involve a severe grilling by the appropriate parliamentary committees. "It will not mean US-style teams of private investigators," says Mr Julian Priestly, secretary general of the Socialist group. But fairly elaborate and even aggressive tactics are envisaged.

The committee on institutional affairs' recommendations say that particular importance will be attached to "guarantees of independence", including the need to ensure that the prospective commissioners are "genuinely independent from the national governments that nominated them and also, that there are no potential financial conflicts of interest".

One recommendation states: "It is highly desirable that a few key political questions - i.e. on two speed Europe, opt-outs, enlargement to eastern Europe etc - be posed to all the candidates in order to assess their views on the European integration process."

As far as financial interests are concerned, the committee recommends that the parliament should draw up a short and unambiguous list of questions to be submitted to all the candidates.

As an illustration, it highlights the type of questions raised in the US for completion by presidential nominees. These include such detailed points as financial transactions, investments, obligations, liabilities, and any business or other relationships.

In spite of the rigorous approach the parliament intends to adopt, the process rings slightly hollow. Its extra powers do not extend to the right to veto individual commissioners. All the parliament can do is mention its misgivings to Mr Santer. Otherwise, it can veto the entire commission, but this would be an unlikely step.

Pope widens electoral base for choice of his successor

By Robert Graham in Rome

Pope John Paul II yesterday nominated 30 new cardinals, further broadening the international base from which a future pontiff will be chosen.

The most politically innovative of the choices are the appointments of cardinals serving in Albania, the Bosnian capital Sarajevo, Cuba, and Belarus, as well as the Lebanese patriarch, Nasrallah Pierre Steir.

The move to increase the number of cardinals - the highest ranking members of the Catholic hierarchy with the sole right to elect a new pope - had been foreshadowed. However, the decision

was made earlier than expected and comes against a background of the 74-year-old pontiff's declining health.

Vatican watchers said the Pope had tended to choose persons generally sympathetic to his conservative ethical views. Within this, he had considerably broadened the geographical spread, especially to former communist eastern Europe, Latin America, Asia and Africa. Nevertheless, four new appointees were Italian and the Europeans still dominate the cardinals' conclave. Britain gained a cardinal with the nomination of Mons Thomas Winning, Archbishop of Glasgow.

The cardinals will be for-

mally proclaimed at a special consistory in Rome on November 26. The precise number of new cardinals shows that Pope John Paul II is anxious to respect the informal limit of 120 electors under the age of 80 set by his predecessors.

At the time of the consistory 96 cardinals will be below the age of 80, while six of the new cardinals will be over that. In the event of a new conclave 100 of the 120 cardinals would have been chosen by Pope John Paul II. Of the total, 55 would be from east and west Europe (20 of whom are Italian), 33 from the Americas, 15 from Africa, 14 from Asia and three from Oceania.

Bosnian Serbs bent on revenge

By Laura Silber in Belgrade

Bosnian Serb leader Radovan Karadzic declared a full-scale state of war at the weekend after Serb forces suffered their greatest setback since fighting began in Bosnia.

Bosnian government forces yesterday continued their offensive in the north-west of the country, raising fears of a Bosnian Serb counter-attack against Bihac, the Muslim enclave which is one of six UN safe areas in Bosnia. "If the pocket is attacked, the UN will have no choice but to request Nato air support," said Mr Colin Murphy, UN spokesman in Sarajevo.

In a sign of possible plans for a counter-attack, Mr Karadzic also ordered a general mobilisation in his self-styled Serb state. Over the past week, Bos-

nian Serb forces have lost some 200 sq km in the north-west.

The Bosnian Serbs are in an increasingly isolated position after being cut off three months ago by their patron, President Slobodan Milosevic of Serbia. There is even speculation that Mr Karadzic has engineered the stunning losses in a bid to force Mr Milosevic to abandon his blockade against the Bosnian Serbs.

However, Belgrade's state media has imposed a total news blackout on the losses. Renewed fighting erupted yesterday after the mostly Muslim government forces encircled Bosanska Krupa, a Serb-held town on the River Una in the north-west. In an unconfirmed report, Sarajevo radio said government forces had entered the town.

Serb forces from Bosnia and Croatia have surrounded the dense north-western Muslim pocket for most of the 31-month war. Last week, however, the Bosnian Fifth Corps drove Serb forces from the Grabov plateau, strategic high ground above Bihac town. Up to 10,000 civilians have fled the area and Serb soldiers have abandoned tanks and other hardware to their foe.

In Sarajevo, Mr Murphy said the UN was considering close air support against government forces in the demilitarised zone round the Bosnian capital who have been launching attacks on Serb-held territory. General Rose, British leader of the UN forces in Bosnia, issued a similar threat earlier this month, but it is likely the US would protest against it being carried out.

Also yesterday, the Bosnian Serbs released four British UN soldiers who they had detained last week in the Kupres region of central Bosnia on suspicion of spying.

Russia would withdraw its peacekeeping troops from former Yugoslavia if Nato gained ultimate control over whether to use force, Mr Andrei Kozyrev, foreign minister, said yesterday. On Friday Nato approved a deal with the UN on plans for joint bombing operations in Bosnia. Though Nato officials stressed there would be no change in the basic "dual key" command structure under which Nato supports UN decisions, Mr Kozyrev said that if it were abolished, "it would have to turn to the upper house of parliament and ask to have our peacekeeping troops removed".

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Resentment surfaces in Russia's Arctic sea of oil sludge

John Thornhill finds people are beginning to raise their voices in a region used to suffering pollution in silence

The remote Russian Arctic town of Ustinsk is blinking in bewilderment in the glare of international publicity. US claims that a recent oil spill nearby was several times larger than the world's previous worst disaster in Alaska in 1989 have provoked outrage from the local authorities, hostility from the local oil company, and a mood of bemusement among the local population.

Some residents just do not understand the fuss, given that similar spills have happened before without stirring much controversy.

Mr Philip Gursky, a ruddy-faced pensioner, who lives in a rough-hewn wooden cottage by the Kolva river, says he has seen many oil leaks, blow-outs and burning slicks in the 40 years he has lived in the region. He shrugs his shoulders at the latest incident after which scores of workers removed oil from the river outside his front door. "I am used to it," he says.

Sadly, Russia is accustomed to such accidents, although it remains unaccustomed to the controversy they now arouse.

A local environmental group claims that internal documents obtained from Komi, the oil company responsible for the faulty pipeline, reveal there were more than 1,900 leaks between 1986 and 1991, with an alarming acceleration towards the end of that period. Environmentalists estimate Russia may lose 1.9 per cent of its oil



Workers use a high-pressure hose to clean crude oil from the banks of a tributary of the Kolva river

output each year through leaks in its 45,000 miles of pipelines. In an industrial culture that stresses production over the environment, managers prefer to pump oil rather than repair damaged infrastructure and shut and re-start wells.

Mr Vyacheslav Bibikov, vice-president of Komi Republic - reputedly one of Russia's more reactionary

regions, gives the official response.

"The situation is localised and controlled and we consider that excessive attention has been given to this accident. Nothing terrible has happened here," he says.

Mr Nikolai Ponomarev, deputy general director of Komi, reacted even more fiercely when questioned by western journalists

and environmental campaigners. In a flash-back to Soviet-style attitudes, the glowering Mr Ponomarev refused to discuss the company's pipeline capacity on the grounds of "commercial secrecy" and suggested foreigners who had failed to win business in the area were exaggerating the affair.

Perhaps no-one will ever know

how much oil has been spilled near Ustinsk. Local government officials and Komi's directors ridicule US Energy Department claims that 270,000 tonnes of oil has leaked. But even accepting the minimum official figure of 14,000 tonnes - which western oilmen in the region find hard to believe - the spillage still represents an appalling environmental blight.

Mr Anatoly Nyukin, head of Komi Republic's civil defence, says he has not seen one dead bird or fish as a result of the accident. But local residents point out that pollution killed much of the local wildlife long ago.

Mrs Chesleva Popova, mayor of the 170-year old Kolva village, says: "There was a very big resource of fish here 10 years ago. But now there are practically no fish left." She says those fish they do catch are used to make a traditional local dish. "But often the fish smell strongly of oil and it is not pleasant to eat," she says.

More than 200 people have been working intensively to clear up the damage. Using vacuum pumps and bulldozers, they have cleaned up most of the black sludge that oozed into the Kolva and Usa rivers, where 7km of river bank were heavily polluted.

But removing the estimated 11,000 tonnes of oil which remain in the flooded marshlands will be slow and laborious. So far the clean-up has been eased by the relatively mild weather. But temperatures can drop

to minus 50 degrees in winter and the oil must be removed before the spring thaws threaten to spread a fresh ecological disaster.

The 60,000 who live in and around Ustinsk are hardly strangers to such hardships. The grim and grimy town, which clings to the edge of the Arctic circle, was built in a region infamous as one of the most terrible islands in Stalin's Gulag archipelago. Many "criminals" from the nearby Vorkuta camp settled in the area after their release. There is an acceptance of hardship and a reluctance to moan found rarely in Russia's bigger cities.

Ustinsk itself was built 20 years ago by Komi to support oil exploration. Like most Soviet industrial enterprises, the company created its own mini-welfare state, building eight schools, a kindergarten and a hospital. Some residents fear Komi will run these down now it is a privatised company with profits in mind. Unemployment is already rising alarmingly as the company sheds workers.

The arrival of western companies is beginning to change the town. Conoco, the US oil group, has set up the Polar Lights joint venture with Archangel'skogeologia, a Russian exploration company, bringing much-needed jobs to the region. Komi Arctic Oil, a joint venture between Komi, Gulf Canada, and British Gas has also developed a field north of Ustinsk and set up smart offices in town.

That seepage of capitalism is already visibly transforming Ustinsk. Snickers chocolate bars are on sale in street kiosks; posters of scantily clad women straddling motor-bikes are displayed in the small shopping centre; BMW cars cruise the streets disgorging the local hard men clad in leather jackets, gold chains and shell suits.

The after-effects of the spillage may speed further social change. Komi's managers, alarmed at the publicity and fast-falling share price, must appreciate they are now accountable to a far broader constituency than party bosses or central planners. Local government officials know they now live in a transparent world and have responsibilities for a precious environment which Green groups claim is of international significance.

And the townspeople of Ustinsk are slowly understanding that as shareholders in the privatised Komi they are also part-owners who can influence the company's and region's development.

There are tentative signs that after years of silence local people are beginning to raise their voice. "I do not want to say that people were afraid by what has happened but they think about the future and want to make sure this is not repeated," says Mrs Popova. One shop assistant raises a common plea: "Ustinsk is my town. It is my home. I do not want anyone to spoil it any more."

INTERNATIONAL PRESS REVIEW

Moscow tries to see the news in the oil leak

RUSSIA
By John Lloyd

In the daily *Rabochaya Tribuna* of last Wednesday, an item appeared in the front page brief news section. "In one paragraph". The headline read: "Ecological catastrophe in northern Russia - and it seems it worries the Americans more than us".

The story, citing the Voice of America radio station, said: "American officials say that, in a region of the Arctic round the town of Ustinsk, a pipeline has ruptured, causing the largest oil spill in history. American representatives in Washington, quoting information coming from Russia, say that 2m barrels of oil has been spilled. The US deputy energy secretary says that the spill is an ecological catastrophe."

This says a great deal about coverage of the Ustinsk oil spill, about the attitude of the press - and of official and civil society - to the incident, and about the state of ecological awareness in Russia.

It also says much about the majority Russian view of the world as one eco-system. For, with few exceptions, the Russian press covered the incident if at all through the industry and government sources cited in last Tuesday's New York Times, which broke the story.

Only two leading newspapers, *Izvestiya* and *Sovodnya*, gave it wide coverage - though limited largely to news written in Moscow, not on-the-spot reports or analysis. By the end of the week, a Russian wire service was quoting the head of the company responsible for the spill as blaming western interests for blowing up the story for commercial gain.

Yet the facts - the spill, the declaration of an emergency situation in the region and vast natural damage - were known to and published in newspapers in the Komi republic weeks before the Times story.

The region's *Krasnoe Znamya* (Red Banner) of September 15 ran a splash headline: "Pipeline of Trouble - Ustinsk region has become an area of

ecological disaster". The story gave details of streams running with oil and roads covered with lakes of oil. It ended with the observation: "We don't just have a state of emergency here: we have an ecological catastrophe."

The story - which the paper followed up throughout October - did not appear in the central press, nor on all-Russia TV. Not because of censorship - but because it was not seen to have more than local importance.

Western journalists who travelled to the inaccessible region to cover the story last week were met with hostility mixed with genuine bewilderment: Why come all this way to cover as common a thing as an oil leak, and what has it to do with you?

Izvestiya, the best of the central dailies, did best by the story. It ran a splash headline last Wednesday: "Why should Americans be more concerned about an oil spill in the tundra than Russia?" It alarmed the Komi oil company for attempting to conceal the whole affair, saying it was a "saddening circumstance" that the alarm was raised by the Americans and that a government commission was formed only after US Vice President Al Gore offered assistance.

The daily *Sovodnya* made the story its second front page lead - noting in an editorial comment with the story: "It's understandable and, alas, all too common that information on our ecological disaster should again come from the west."

But by the end of last week an explanation emerged for the western concern: it was driven by the profit motive. Interfax news agency, quoting "experts of Moscow's leading broker and investment companies", said the news had clipped between \$1 and \$2 off the shares of the Komi Oil company. "Komi Oil director General Valentin Leonidov told a shareholders' meeting on Friday that the campaign on the pipeline accident was carried out in the interests of those who want to buy Komi Oil for a song," it said.

Longuet case to be investigated

The French justice ministry has given the go-ahead to two formal investigations in a corruption case which forced the resignation of Mr Gerard Longuet, then industry minister, earlier this month, writes John Riddling in Paris.

The investigations, which are expected to be launched today, will focus on allegations of illicit financing relating to the construction of Mr Longuet's holiday villa in St Tropez and on the management of companies linked to the former industry minister which are suspected of concealing payments from business groups.

Mr Longuet has denied any

wrongdoing. In a statement released on Saturday, following the decision by the justice ministry to authorise the new probes, he described the allegations against him as "baseless." He said the new investigations would allow him to prove his innocence.

The judicial authorities are investigating whether Mr Longuet received payments and preferential financial terms on his villa in return for granting public contracts. The new probes will examine Investel, a holding company created by Mr Longuet in 1989 and Avenue 55, a consultancy firm for which Mr Longuet worked.

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NEWS: INTERNATIONAL

China shows growing confidence abroad

By Tony Walker in Beijing

China's leaders begin a series of foreign missions this week in a virtually unprecedented show of diplomatic activity that underscores China's growing self-confidence internationally.

China's official media yesterday described visits by the country's three most senior leaders to neighbouring countries over the next two weeks as part of a "new diplomatic drive".

Xinhua, the official news agency, said it was "time" for three top Chinese officials to "go abroad in quick succession". It noted that the visits were "mostly in the Asia-Pacific region".

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President Jiang Zemin, who also serves as general secretary of the Communist party and chairman of the powerful Military Commission, will visit Singapore, Malaysia, Indonesia and Vietnam between November 6 and 22. He will attend the Asia-Pacific Economic Co-operation forum in Indonesia in mid-November.

Other senior Chinese officials who will be engaged this week in high level diplomatic missions include vice-premier Li Langqing who will visit Washington to press China's case for admission to the General Agreement on Tariffs and Trade.

Mr Li, who is a former minister of foreign trade, will seek to counter US misgivings about China's progress in meeting requirements for GATT entry.

US trade officials say Beijing is still some distance from satisfying market liberalisation requirements for GATT accession.

Western officials in Beijing view China's diplomatic blitz as a sign of growing self-confidence in the international arena. "This indicates that things are going their way on the diplomatic front," said one.

The official noted that Beijing appears to have successfully neutralised the worst of the international opprobrium that followed the June 1989 massacre of pro-democracy protesters around Tiananmen Square.

There are increasing signs that different countries are now prepared to put human rights down the list of priorities when dealing with China," he said.

The visits abroad by China's three top officials are the culmination of perhaps the most active year of diplomatic activity in the history of the People's Republic, beginning with a tour of Central Asia in April by Premier Li Peng. Mr Li went abroad again in mid-year when he visited Austria, Germany and Romania.

President Jiang went to Russia, Ukraine and France in September, and earlier this month Mr Zhu Rongji, the senior vice premier in charge of the economy, was in Madrid for the IMF-World Bank meeting.

Xinhua said Chinese leaders would "try to alleviate fears of the so-called 'China threat'" in their discussions with regional counterparts.

"Chinese leaders are expected to explain China's position on the establishment of a new political and economic order," Xinhua said. "They will reassure their hosts that China has no intention of seeking hegemony."

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INTERNATIONAL NEWS DIGEST

Brussels plan to cut EU airport service costs

The European Commission is drawing up plans to open the market for ground handling services at European airports, a move that could sharply reduce airlines' costs. Action to force competition in airport services will tackle the last significant element of air transport not in theory opened up to competition when the single European market came into force two years ago. The commission aims to present draft legislation to EU transport ministers at a meeting next month.

Airlines argue that at many European airports, ground handling services are controlled by monopoly suppliers. Air France, British Airways, KLM, Lufthansa, SAS and Spanair, which have joined forces to support opening the market, say the monopolies typically charge 30-50 per cent more than suppliers who face competition at other airports. The services in question cover passenger and baggage check-in, loading and unloading of baggage, mail and cargo handling, aircraft cleaning, towing, refuelling and aircraft maintenance. Emma Tucker, Brussels.

HK confirms Jardine deal

The Hong Kong government confirmed yesterday that a company owned by trading house Jardine Matheson had won the contract to build a navy base for China before the British colony reverts to Beijing's control in 1997. The HK\$790m (US\$50.6m) colonial government contract to build the base was awarded to Gammon Construction by the government's Central Tendering Board, secretary for security Alistair Asprey said. Gammon is owned by Jardine Matheson, Jardine Pacific and British-headquartered Trafalgar House, in which Jardine group company Hongkong Land has a 25 per cent stake. Jardine, which moved its group headquarters to Bermuda in the mid-1980s, has been embroiled in a dispute with Beijing over its backing of democratic reforms in the territory. "The actual contract itself is a straightforward Hong Kong government contract," Mr Asprey said. China was not consulted, he said, but added it would be consulted on its requirements for design of the base. *Reuter, Hong Kong*

Japanese party disbanded

A symbolic step in the reform of Japanese politics was completed yesterday when the party that triggered the current upheavals disbanded itself to prepare to merge with Opposition allies. The Japan New Party of former prime minister Morihiro Hosokawa chose the occasion of its first national convention since its birth in May 1993 to announce its disbandment. Mr Hosokawa, a former member of the ruling Liberal Democratic Party, founded the JNP out of repugnance for the complacency encouraged by the comfortable links between the bureaucracy, politicians and business. That theme has since become central to the political reform movement, and to the eight other potential members of the new opposition party, who are expected to follow the JNP's example and ritually close down over the next month or so. The new party is expected to be created in December. Opposition parties are now attempting to close ranks, in another attempt to put pressure on the LDP and eventually push it out of power. *William Danks, Tokyo*

Italian businessman held

French police yesterday arrested in Paris Mr Ferdinando Mach Di Palmstein, a Swiss-born Italian businessman who has been on the run from arrest warrants issued by Milan anti-corruption magistrates for 18 months. He is one of two key remaining businessmen on the magistrates' wanted list associated with Mr Bettino Craxi, former Socialist leader and prime minister.

At least five arrest warrants have been issued against Mr Mach Di Palmstein on various charges of corruption since early 1983 by Milan and Rome judiciaries. Earlier this month he was sent to trial with 43 other politicians, officials and businessmen on charges relating to alleged misuse of Italian overseas aid funds. *Robert Graham, Rome*

Veto on Slovenia expected

Italy is expected to veto the opening of negotiations between the European Union and Slovenia on an association agreement at a meeting of EU foreign ministers in Luxembourg today. This follows Slovenian government repudiation of an agreement reached two weeks ago at Aquileia in Italy between the Italian and Slovenian foreign ministers. Mr Ljudevit Peterle, Slovenian foreign minister and leader of the Christian Democratic party, is due to step down today, having resigned in protest at what he considers a tendency of the Liberal Democrat party, led by prime minister Janez Drnovsek, to monopolise power. The Liberal Democrats objected to a clause in the Aquileia agreement whereby Slovenia undertook to draw up a list of real estate formerly belonging to Italian citizens and now in public ownership, with a view to giving former owners or their heirs the right to buy it back. *Edward Mortimer, Bled, Slovenia*

Impasse in Algeria conflict

The 40th anniversary of Algeria's revolution against French rule is being overshadowed by President Lamine Zoulat's admission that political efforts to end a conflict with Moslem fundamentalists had failed. The army-backed president said at the weekend a political dialogue with Islamic Salvation Front (FIS) chiefs had gone nowhere. He accused one leader of ordering Islamic guerrillas to mount a new offensive. In a statement faxed to Reuters in Paris, the FIS urged President Zoulat yesterday to take part in a live television debate with the two leaders of the party. *Reuter, Tunis*

Israel eases currency curbs

Israel yesterday announced a further step in liberalising its currency. From tomorrow Israelis going abroad on holiday will be free to take up to \$7,000 in cash, instead of the present ceiling of \$3,000. They will also have unrestricted use of credit cards for buying goods and services, though not for drawing cash. Previously, any credit card transactions were subject to the \$3,000 limit. A Bank of Israel spokesman acknowledged that the change was mainly psychological. The average Israeli tourist drew only \$1,500 when travelling. But it would affect the climate and enhance the sense of a free currency. Business travellers already enjoy a ceiling of \$9,000, which can be increased where justified. *Eric Sinker, Jerusalem*

Malaysia sect leader freed

The Malaysian leader of an Islamic sect called deviationist by the authorities has been freed from jail in Kuala Lumpur. Mr Ashaari Muhammad, head of the Al Arqam sect, had been jailed without trial since early September. Al Arqam, which claims more than 100,000 followers in Malaysia and more overseas, was banned in August. Mr Ashaari recently appeared on TV saying he regretted straying from the true path of Islam. But many Al Arqam members say he was forced by police to make his confession. Malaysian authorities say Mr Ashaari's release is conditional. It is believed he will remain under house arrest. *Kieran Cooke, Kuala Lumpur*

FT wins Euro economy award

The Financial Times has won the 1994 Prix Stendhal for writing on the European economy - for its series last spring entitled "Can Europe Compete?" The prize, awarded by the Geneva-based Adelphi Foundation in association with the European Commission and European Parliament, is designed to promote understanding of European issues. The judges praised the series team for tackling important economic themes clearly and for making judgments of enduring validity.

Hopes rise for Burma dialogue

Victor Mallet on new meeting with democracy campaigner

A second meeting between Burma's military rulers and Ms Aung San Suu Kyi, the detained pro-democracy campaigner, sharply raised hopes at the weekend that the junta and its opponents would soon start negotiating a political settlement after years of violence and human rights abuses.

Details of the meeting are scarce. Lt-Gen Khin Nyunt, the powerful head of military intelligence and "Secretary One" of the State Law and Order Restoration Council (SLORC), as the junta calls itself, met Ms Suu Kyi in the company of two other generals for three hours on Friday morning.

Unlike the first such meeting on September 30, news of the latest encounter at an army guest house in Rangoon was given pride of place in the official media.

Ms Suu Kyi, who has been under house arrest at her Rangoon home for more than five years, was shown smiling and chatting with the generals in the lead item on the television news, and three photographs appeared on the front page of the New Light of Myanmar (Burma) newspaper.

Burmese citizens, who voted overwhelmingly for Ms Suu Kyi's National League for Democracy in a 1990 election whose results were ignored by the armed forces, were delighted but baffled.

An official statement said merely that the discussions were "frank and cordial", that they covered Burma's political and economic situation, including reforms being implemented by the SLORC, and examined "steps that should be taken with a view to the long-term welfare of the nation".

No-one expects the talks to be easy. Indeed some Burmese, including government officials, dismiss the discussions as a play by the armed forces to



Aung San Suu Kyi: meeting with military rulers publicised

improve their international image and head off a resolution in the UN general assembly condemning Burmese human rights abuses.

Such suspicions are reinforced by events which attract less publicity than the meetings with Ms Suu Kyi. Earlier this month, for example, five of her fellow-dissidents were quietly sentenced to between seven and 15 years in jail on a variety of charges including spreading information "damaging to the state".

"The SLORC is just using the meetings to get a breathing space in the international community," said one Burmese businessman. "They don't want to share power or give any role to Aung San Suu Kyi in creating our country's future."

Others believe the meetings represent a genuine desire to negotiate on the part of the junta - Ms Suu Kyi herself has always said she is willing to

talk, although they accept that the two sides remain far apart.

"The only common ground, perhaps, is a desire for reconciliation," said one Rangoon-based diplomat.

Ms Suu Kyi is aware of the sensitivities of the army and has gone out of her way to say she is not anti-military; her father Aung San was the Japanese-trained general who led Burma to the brink of independence from Britain in the 1940s.

But she insists on the need for democracy and has called the National Convention - a SLORC-dominated conference that is drawing up a new constitution designed to ensure military control of future governments - "a farce".

SLORC members, on the other hand, demand continued military influence in politics. Some hardliners, such as Gen Tun Kyi, the trade minister and former Mandalay commander who once called Ms

Suu Kyi "an ant to be swept off the road", are said to oppose the whole idea of negotiations. But the SLORC needs to be seen to be negotiating in good faith while it seeks the help of foreign investors and donors.

An economic recovery in the last couple of years has begun to repair the damage caused by the army's "Burmese Way to Socialism" after it took power in 1962.

Even Singaporean and Thai investors sympathetic to the junta say they would like to see Ms Suu Kyi released, while the western nations and Japan want to profit from the economic growth in this country of 43m people at the same time as upholding their human rights principles; Mr Thomas Hubbard, US deputy assistant secretary of state for east Asia, is to visit Burma this week after a long period of frosty relations between the two countries.

As one Burmese dissident noted last week, the increasingly confident junta is having some success in changing the international agenda.

Foreign governments used to demand the instant release of Ms Suu Kyi and the immediate transfer of power to the democratically-elected government; now they want a "meaningful dialogue" and moves towards democracy.

The hard task facing the SLORC and Ms Suu Kyi is to agree on a definition of democracy. Brig-Gen Kyaw Ba, a member of the 21-man SLORC, commenting on the Suu Kyi-SLORC talks in an interview on Friday, declared that Burma already enjoyed freedom. "We have a democracy according to the Myanmar way," he said. "Democracy must be a disciplined democracy. It must not be a rowdy one."

Ms Suu Kyi would have sighed at these words. At a meeting with a US congressman in February, she said: "Having imposed the Burmese Way to Socialism on us for so many years, I now dread the SLORC wanting to impose its idea of a Burmese Way to Democracy."

have recovered this year. August was a good month for the industry, and sales for the year to August were up 6% on 1993, at \$2.7bn. This is compared with a 5% rise recorded year on year in July.

France recorded a 2 per cent increase for the first eight months of 1994 over the same period of 1993.

est turnaround in the fortunes of the drug sector. A January reform to the system under which some drugs were paid for by the state has led to many widely-used products now sold at half or even full price. The latest figures show that drugs sales are running at 8 per cent below a year ago. In Germany, drugs sales

Frelimo heads for Mozambique election victory

By Peter Stanley and Reuter in Maputo

Mozambique last night seemed within reach of a lasting peace when the country's former rebel leader indicated that he would accept the outcome of the country's first multi-party elections, and would accept a post in a government of national unity.

As early results in the three-day election suggested a comfortable victory for President Joaquim Chissano's ruling Frelimo party, Mr Afonso Dhlakama, head of Renamo said he would abide by the outcome if it were adjudged free and fair.

Final results of the election, the final stage in the agreement signed in 1992 which ended the country's 16-year civil war, are not expected before mid-November. Over 90 per cent of the estimated 6.4m electorate are thought to have voted in an exercise which internal

White House shots underscore case for gun curbs

By Jurek Martin in Washington

The Clinton administration yesterday seized on Saturday's shooting at the west wing of the White House to underscore its arguments that President Bill Clinton was right to have pushed for bans on semi-automatic assault weapons.

Mr George Stephanopoulos, the senior presidential adviser, noted that Mr Clinton had

"talked all year" about the need to ban such guns and that the Chinese-made weapon was bought on the day the president signed into law the crime bill that included bans on some types of assault weapons.

The shooting attack on a clear Saturday afternoon was the second apparent assault on the White House in six weeks and has increased concerns about presidential security.

Last month a pilot with a history of mental instability was killed after crashing a small aircraft on the White House lawn.

The weekend attacker, who was tackled by bystanders before being arrested, has been identified as Francisco Martin Duran, a hotel worker from Colorado Springs. He had been dishonorably discharged from the army in 1981 after being

convicted of felony and assault. His camper van parked near the White House was emblazoned with pro-gun stickers.

Mr Duran was indicted on two counts yesterday - damaging government property and, because of his criminal record, illegal possession of a fire-arm. A spokesman for the secret service said the charge of attempting to assassinate the president

was also being considered.

Mr Stephanopoulos said that Mr Lloyd Bensten, the treasury secretary whose jurisdiction includes the secret service, would conduct a complete investigation into all aspects of White House security, with a final report in mid-January.

The secret service, whose duty is to protect the president, has long wanted to close Pennsylvania Avenue, the

broad street outside the north face of the White House, to vehicular and even pedestrian traffic.

Mr Clinton, as Mr Stephanopoulos said yesterday, has been opposed to such curbs on the grounds that the White House is "the people's house" and should, within reason, be accessible to the public.

The president himself was watching a televised college

football game in the family quarters as the 22 shots were fired, shattering windows in the White House press room but hurting no one.

He had returned on Saturday morning from a trip to the Middle East in which security considerations were very evident. He made light of the incident, quipping that he was glad "to be back in the safety and security of the White House".

US warns Japan on economic squabbling

The US, seeking to extract trade concessions from Japan, has issued a fresh warning to Tokyo underscoring the risks of continued economic squabbling. Reuter reports from Washington.

Washington has been negotiating an agreement to open up Japan's glass sector and has sought an accord on vehicles and parts - the single biggest component of the US trade deficit with Japan. But the talks have proved tough going.

Should no trade deal emerge in the glass sector by today, according to top officials in the Clinton administration, the allies would find themselves in "a difficult situation". As for cars: "It is essential that we reach agreement".

The warning was directed to Mr Ryutaro Hashimoto, Japanese trade minister, in a letter dated October 25 from Mr Mickey Kantor, US trade representative, and Mr Ron Brown, commerce secretary. A copy of the letter, whose existence was first reported in a Japanese newspaper on Friday, was obtained by Reuters.

"It was a direct letter... that will hopefully provide some results," Mr Brown told US public television. "We're very anxious to re-negotiate the Japanese as soon as possible." Mr Kantor and Mr Brown wrote to Mr Hashimoto in reply to two letters he had sent them earlier this month, thanking the Tokyo trade minister for his "candid comments". Officials said Mr Hashimoto had complained about a recent speech by Mr Jeffrey Garten, commerce undersecretary and the chief US negotiator on cars, in which he had outlined the advantages of private-sector co-operation.

"The Japanese took umbrage with that speech. This letter was in response," said one official. No reply to the latest US letter had been received by the weekend, another said.

But the US side made clear that a long-sought deal on automotive trade - which accounts for two-thirds of the \$60bn bilateral imbalance - was vital to improved relations. "It is essential that we reach agreement," they wrote. As for glass, under negotiation this week, Mr Kantor and Mr Brown both voiced "concern at the pace of discussions in Tokyo. There are many issues left to resolve before the end of the month."

The two sides struck an agreement in principle on October 1 to open Japan's \$4.5bn flat glass market and pledged to finalise the accord in 30 days.

"We cannot conclude an agreement that does not result in substantial opening of the glass distribution system. Failure to reach an agreement by the end of the month would create a difficult situation," Mr Kantor and Mr Brown said.

They did not spell out what action the US team might take should no accord emerge and reiterated that the Clinton administration was not seeking "numerical targets" over glass.

Companies hit by lawsuits over sackings

By Louise Kehoe in San Francisco

A spate of employment discrimination lawsuits is hitting companies with US operations in the wake of widespread corporate "downsizing". While the hiring practices of US companies have long been scrutinised for bias, businesses increasingly face potential charges of violations of US fair employment laws for the manner in which they shed workers.

Statistical analyses of the number of workers fired, according to their race, sex and age are now essential defensive moves, according to legal experts. Increasingly, US companies are also requiring employees to agree to settle any dispute they may have with their employer through arbitration.

The latter move is aimed at avoiding potentially large damage awards such as the \$89.5m award handed down last week by a Los Angeles jury against Hughes Aircraft, a General Motors subsidiary, in the case, which involves two former employees of Hughes - one white and one black - the company has been found to have violated fair employment laws.

Hughes called the jury verdict was "irrational, irresponsible and outrageous". The company said it will move to have

the jury award reduced or overturned by the judge or by a higher court.

Legal experts said that the award will almost certainly be substantially reduced. The case has, however, sent a chilling message to employers.

The award comes amid a rash of discrimination and harassment suits. In another high profile case the US Labor Department, which is supposed to be a watchdog against workplace discrimination, agreed to pay an estimated \$4.9m to settle a suit that accused the agency of discrimination against its own black employees.

Businesses complain that despite their efforts to eliminate bias in the workplace, increasingly restrictive laws make it very difficult to comply. US employment laws prohibit many practices that are common in Europe and Asia. When interviewing prospective employees, for example, US employers are precluded from seeking information about the age, health or national origin of the applicant.

Since the Americans with Disabilities Act became law in mid-1992, requiring businesses to make provision for workers who are physically or mentally disabled, for example, some 27,000 claims have been filed with the Equal Employment Opportunities Commission.

'Solid growth' forecast

Mr Lawrence Lindsey, a Federal Reserve Board governor, said at the weekend that Friday's report on US gross domestic product provides "more evidence of solid economic growth" which could last for another "few quarters". AP-IM reports from Detroit.

He told reporters before

addressing a conference on housing: "I don't see anything in my crystal ball to suggest a slowdown."

Data released Friday showed that GDP rose 3.4 per cent in the third quarter, which Mr Lindsey noted was a faster rise than most people had expected.

Ballot initiatives stir up the voters

George Graham reports on the midterm polls' crop of state referendums



US MID-TERM ELECTIONS November 8

Voter turnout in the US mid-term polls on November 8 is expected to be low, in the absence of a high-profile presidential election, but in some states controversial referendum proposals on the ballot are expected to lure people to vote.

Most controversial of all is California's Proposition 187, which would ban illegal immigrants from receiving public education or social services. The proposal, which Justice Department officials say they believe to be unconstitutional, has sharply divided the candidates in California's elections. More people say they are being drawn to the ballot box primarily by Proposition 187 than by the elections for governor and senator combined.

But California's anti-immigration measure is a rarity among the proposals on the ballot in the 24 states that allow legislation by plebiscite. Topping the ballot paper in other states are traditional measures on taxation, term limits and gambling. In the tax field, Florida, Missouri, Montana and Oregon are proposing to follow the example of Colorado and require voter approval for all future tax increases. Voters in all of these except Missouri will also decide on a separate measure requiring a two-thirds majority vote for tax increases, as will Nevada voters.

Oregon also has a sweeping proposal on the ballot which would repeal most state and local taxes, including the state income tax and local property taxes, and replace them with a 2 per cent "equal tax" similar to a value added tax. Standard & Poor's, the credit rating agency, said it would have to review Oregon's debt if the measure passes.



Senator Edward Kennedy campaigning for re-election in Boston over the weekend with support from Rev Jesse Jackson (left)

Massachusetts, meanwhile, will vote on an alteration to the state constitution that would permit a graduated income tax. California proposes an additional tax of 4 cents a gallon on petrol, while South Dakota will vote on a measure slashing property taxes, similar to California's Proposition 13 in 1978.

California also has a number of tax measures, among them a payroll tax and a tobacco tax, included in a proposal to set up a statewide single payer health system similar to Canada's. But after the defeat of the Clinton administration's efforts to carry out less radical reform of the health care system at the national level, the measure is expected to be heavily defeated. But higher tobacco taxes to fund additional health services are thought to stand a better chance in Arizona and Colorado.

California will take a different approach to smoking in

Proposition 188, which was put on the ballot by a group called Californians for Statewide Smoking Restrictions. Despite its name, this group is heavily financed by Philip Morris, the tobacco company. The proposal would, in fact, abolish the many tough anti-smoking ordinances passed by local governments in California and replace them with much weaker statewide controls.

Also attracting considerable attention is Arizona's Proposition 300, which would require the state to assess the costs to the private sector of any regulation it imposed. Supporters say the measure merely implements the guarantee in the Fifth Amendment to the US Constitution that private property may not be taken by the government without compensation. But it is hotly opposed by environmentalists, which fear it will help lawsuits against environmental regulations.

Limits on the number of terms elected politicians may serve remain a popular ballot initiative, appearing in at least eight states. In Colorado, voters will get a second bite at the cherry with a proposal to halve the number of consecutive terms a member of the US House of Representatives could serve from six to three.

Term limits on federal officeholders, however, remain under a constitutional cloud. The US Supreme Court is due to decide on their legality this session.

Proposals to authorise gambling are another staple of the ballot initiative process. This time, voters in North Dakota, South Dakota and New Mexico will get a chance to approve state lotteries. In Florida, Arkansas, Rhode Island and Wyoming, casinos will be up for approval. Missouri, which already allows river-boat gambling on games of skill, is asking voters whether to allow

games of chance, which would open up the lucrative slot machine market.

In Colorado, a measure to allow slot machines at airports is on the ballot, while Minnesota is asking for approval of off track betting on horse races.

Crime is a popular ballot measure this year, with proposals mandating long prison sentences up for approval in Oregon and Colorado, and a victims' rights measure in Alaska. Georgia voters will consider a constitutional amendment providing mandatory life sentences for a second violent felony, while California voters will vote on a "three strikes and out" proposal imposing mandatory life sentences for a third violent felony. The proposal largely duplicates an existing law passed by the state legislature, but if approved by voters on November 8 it will be much harder to repeal in the future.

Franco-Canadian proposal on new OECD chief under fire

By Bernard Simon in Toronto

The search for a new secretary-general of the Organisation of Economic Co-operation and Development is again in disarray, with several new options being discussed by the 25 member countries of the Paris-based research body. The US and Japan are understood to have rejected a compromise put

forward by France and Canada in recent weeks to break the long impasse between their respective candidates, Mr Jean-Claude Paye and Mr Donald Johnston.

Under this proposal, Mr Paye, the outgoing secretary-general who has already served two terms, would be reinstated for another two years, to be followed by a full five-year term for Mr Johnston.

The US, which insists the OECD post should be filled by a non-European, has rejected any extension of Mr Paye's term. Japan is said to be unhappy that the Franco-Canadian plan would tie up the job for seven years. France and Canada are banking on a compromise which, for instance, might allow Mr Paye to serve one year, and Mr Johnston four.

Mr Jean Chrétien, Canada's prime

minister, has telephoned the heads of several other OECD governments to revive support for Mr Johnston, whose chances were fading until the Canadians put forward the "two-plus-five" formula to French officials earlier this month.

However, one European official predicted that the impasse over the OECD job may not be broken until a choice is made for secretary-general

of the new World Trade Organisation, which is due to come into being on January 1. The three contenders for the WTO job are Mexico's President Carlos Salinas, Mr Renato Ruggiero of Italy, and Mr Kim Chul-su, South Korea's trade minister.

Mr Salinas currently appears to be the WTO front-runner. But some European governments have indicated that they will not accept North

Americans in both the WTO and OECD jobs. One scenario being discussed is that, if the WTO goes to Mr Salinas, Mr Ruggiero may end up at the OECD.

While obstacles facing Mr Paye and Mr Johnston have again opened the way for a third candidate, the UK is understood no longer to be pressing the candidacy of Lord Lawson, former chancellor of the exchequer.

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THE BUSINESS TO BUSINESS MAGAZINE FOR CHINA

LEGAL NOTICES

No. 006634 of 1994

IN THE HIGH COURT OF JUSTICE
CHANCERY DIVISION

IN THE MATTER OF
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PUBLIC LIMITED COMPANY

and

IN THE MATTER OF
THE COMPANIES ACT 1985

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AND NOTICE IS FURTHER GIVEN that the said Petition is directed to be heard before Mr Justice Nourse at the Royal Courts of Justice, Strand, London, W.C.2A, 2L1, on Wednesday, the 10th day of November 1994.

ANY Creditor or Shareholder of the said Company desiring to oppose the making of an order for the winding up of the said company should appear at the hearing in person or by Counsel for the purpose.

A copy of the said Petition will be furnished to any person requiring the same by the undersigned Solicitors on payment of the specified charge for the same.

DATED this 31st day of October 1994

Walters & Partners, 9 Great Jackson Street, London WC1N 3DA.

Solicitors for the above named Company.

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on Friday
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NEWS: THE MARK THATCHER AFFAIR

Harrovian Arthur Daley with a famous mum

The image of Mark Thatcher in newspapers and on television is of an extraordinarily wealthy arms industry fixer who shamelessly exploited his position as the only son of the world's most powerful woman in the 1980s to amass a reputed fortune of £40m.

It is an image created by rumour and speculation, however, rather than by hard fact. It has never been dispelled in part because Mr Thatcher has refused to comment in detail on the allegations.

The Financial Times has decided to look behind the image to the real man. Pages of company filings and court documents in the US and UK have been scoured. His close business associates have been interviewed, including some who have fallen out with him. For the first time in many years Mr Thatcher made himself available for a lengthy interview on his affairs.

What emerges is a subtly different picture. There can be little doubt that he exploited his mother's connections, although he insists that everything he did would have been achievable even if his mother had never become prime minister.

With continuing speculation about why he was mixing in defence industry circles at the time of the 20th Al Yamamah arms contract between the UK and Saudi Arabia, the question of the propriety of his behaviour as the then premier's son remains open.

But the tales of his fabulous wealth seem a long way from the truth. Far from being a super-rich Mr Big of the arms world Mr Thatcher appears to be a relatively small-time wheeler dealer, a sort of Harrovian Arthur Daley with a famous mum, who has attempted investments in a wide range of industries with limited financial success.

In Texas, where he lives with his American wife and two children, Mr Thatcher remains an enthusiastic follower of his mother's free-market entrepreneurial philosophy and still hopes to join the ranks of the fabulously wealthy one day.

As for his current net worth, he confirms that it lies between £3m and £5m. That is a highly plausible figure, on the basis of the value of his homes in Houston and London and details compiled by the

The son of the former prime minister tells **Financial Times** reporters he is not the wealthy fixer of media reputation

Financial Times of his business interests and lifestyle.

Mr Thatcher himself points to his seven-year-old BMW and denies reports that he employs a butler to travel with him.

Mr Thatcher said: "This whole idea that I have had tremendous success is just a myth. If I had tremendous success I would not be running around trying to do the things that I am doing. I would be sitting on my own private island in the South Pacific, but I am not."

Certain questions remain regarding the exact source of the more modest wealth to which he aspires.

It may also be in his interest to understate his net worth at the moment, due to widespread reports that his wife Diane is seeking a potentially costly divorce settlement. Mr Thatcher denied this: "No divorce, and any speculation of it is just fanciful."

Nevertheless there is little evidence to support claims that

"If I had tremendous success I would not be running around trying to do the things that I am doing. I would be sitting on my own private island in the South Pacific."

he has made significant profits from the US business investments he has developed since 1987.

Conservative party officials suggested that they were the source of a multi-million pound fortune. Instead his US business experience has been coloured by a series of bitter boardroom fights and at least one big legal case.

What was probably his first significant deal in the US was partly funded by his mother's closest business supporters. It has emerged from court documents in a case involving Mr Thatcher that Hanson, the UK quoted conglomerate, and Mr Li Ka-Shing, the Hong Kong billionaire, were co-investors with him in a Dallas-based

home security company, Emergency Networks.

Hanson has given more than £500,000 to the Conservative Party since 1987 and Mr Li has also donated substantial sums.

The deal was carried out in 1987, the same year as his mother achieved her third consecutive general election victory in the UK, making her one of the most powerful politicians in the western world. Mr Thatcher helped put together a consortium of wealthy individuals and companies to invest in Emergency Networks in a complex business arrangement.

He did it with Mr Bruce Leadbetter, who was also his partner in the newly formed Grantham Company - an investment vehicle named after the birthplace of Mr Thatcher's mother. Mr Leadbetter is a long-time business associate of Mr Jay Pritzker, one of the owners of the Hyatt Hotel chain.

Mr Thatcher described his

role in putting the consortium together: "Bruce and I sat down and worked out what we wanted to raise and wrote out a list of people and got on airplanes".

They needed to find \$1.5m, which Mr Thatcher said "is a very difficult number to raise because it's a lot of money".

He said: "You can run around the golf club and raise a hundred grand - you can raise money from your dentist, accountant, a few friends and come up with a hundred grand."

"Between one and a half and five million is the most difficult because no institution will look at anything where the minimum investment is less than five, they just can't afford to do it."

Among those who did agree to invest as limited partners in Xpart, an investment vehicle set up to buy more than 50 per cent of the share capital of Emergency Networks, were some of the biggest names in US finance and political circles.

A US subsidiary of the UK conglomerate Hanson and Mr Li each paid \$100,000 for a Xpart stake giving them each 3 per cent of Emergency Networks. Others who invested were Mr Bruce Rabbitt, now US interior secretary, Mr Jay Pritzker, and Mr Joe Rasmus from Rauscher Pierce and Rasmus, the Dallas-based investment bank.

Mr Thatcher also invested in Emergency Networks through Xpart and became a non-executive director of Emergency Networks. Mr Leadbetter, who became an Emergency Networks director, was the sole director of a separate investment vehicle which controlled the Xpart consortium's investment.

Mr Thatcher denies having exploited his mother's position to put the deal together. He said the investment group was formed with a view to securing future reinvestment for Emergency Networks from the same companies and individuals.

More money was indeed raised later on, according to Hanson, when another \$10m was raised from shareholders. Hanson itself invested another \$300,000 in an interest-bearing debenture, of which all but \$30,000 was subsequently repaid.

For a time Emergency Networks was successful. By the end of 1991 the company had 36 sales facilities nationwide and was installing more than 10,000 home security systems every month, grossing more than \$90m a year.

Mr Thatcher's financial share in this success was limited. He says that his shareholding in Emergency Networks never rose above 5 per cent and in 1990 he sold out for an undisclosed sum to Mr David Wallace, currently his closest business associate and a former treasurer of Lady Thatcher's fund-raising organisation, the Thatcher Foundation.

Grantham, the company jointly owned by Mr Thatcher and Mr Leadbetter, had a man-



Mark Thatcher and his wife Diane at No 10: "No divorce, and any speculation of it is just fanciful"

agement service agreement with Emergency Networks. It was Grantham's main business from 1987 to 1989.

According to Mr Wallace, who was a paid member of staff at Grantham during this period, the company was also active in looking for investment deals in a range of industries including a record distribution company, two printing companies including one in Mexico, and a real estate development in Colorado. None of these yielded any substantial returns.

Having sold his Emergency Networks shareholding Mr Thatcher remained on the board of Emergency Networks and in January 1992 Mr Thatcher and Mr Wallace agreed to provide a \$1.1m loan to the company, which had hit financial difficulties a year earlier. They did this by participating in a total \$27.5m loan made to Emergency Networks by EDS, the computer services subsidiary of General Motors.

It turned out to be a wasted effort as later that year, on September 15 1992, Emergency Networks filed for protection from its creditors under Chapter 11 of the US bankruptcy code. It is now undergoing Chapter 7 proceedings in Dallas, the equivalent of liquidation in the UK.

Mr Thatcher refused to walk away. He and Mr Wallace were still owed \$1.1m and they began legal proceedings against EDS last June in Houston to get the money back.

According to Mr Wallace the legal fight lasted just one week as EDS agreed to a secret out-of-court settlement.

Mr Thatcher said: "I did make money out of Emergency Networks. I made in percentage terms a reasonable return on my investment." But he

refused to discuss the terms of the settlement with EDS.

Hanson was not so lucky. It lost \$130,000 when Emergency Networks collapsed, although Mr Martin Taylor, vice-chairman of Hanson, believes most of that may still be recovered.

In 1990 the Grantham company which Mr Thatcher had formed with Mr Leadbetter was superseded by a second investment company, also called Grantham, half owned by Mr Thatcher and Mr Wallace through their respective companies - Bomark Inc and Birmingham Investments.

From its formation the new Grantham company looked at a number of investments in a range of industries as the first Grantham company had done. It was not until the end of 1992 that it took on its first significant management role - in the Ameristar Fuels group, a Dallas-based aircraft fuel organisation which had been set up in June 1990 to sell jet fuel to airline carriers.

Mr Thatcher took a low profile but played a significant role in the company, helping Mr Wallace become a major shareholder and director. Mr Thatcher's most direct involvement was through the management agreement the new Grantham company signed with Ameristar in October 1992.

Mr Thatcher said: "The search for riches goes on. Mr Thatcher has two major business ventures at the moment, one a substantial property development in Dallas and the other in Azerbaijan, the former Soviet republic, which is thought to partly involve the provision of high-quality paper."

Lady Thatcher visited Azerbaijan two years ago but Mr Thatcher explained that his interest started when an American woman familiar with Azerbaijan walked into his office.

Mr Thatcher said: "She walks in one day and says: 'Mark there are some incredible opportunities down there, why don't we have a look at it?'. I thought I need this like a hole in the head, but I gave her a very modest budget, about £20,000, and said: 'Fine, go and have a look around'."

Mr Thatcher has got a very modest but quite profitable business down there. From a standing start we have covered all our expenses and I'm comfortable," he said.

Mr Thatcher said he was unlikely to "make millions" out of it "because the money's not down there". But, he added, "it is bloody interesting".

Mr Thatcher, Officials and politicians have privately confirmed that in the mid-1980s Mr Thatcher was mixing in the circles of those who were involved in the negotiations - so the journalistic quest for this body of alleged sleaze will go on.

For his part Mr Thatcher says he is a friend of Mr Wafic Said, the Syrian-born financier who acted as go-between for the British negotiators on Al Yamamah.

But he insists that the relationship with Mr Said is rooted in the close friendship between his wife, Diane, and Mr Said's wife, Rosemary.

Mr Thatcher said: "Merely because I know this man does not mean to say that he is going to pay me £12m because I am a nice guy."

CONTRACTS & TENDERS

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Prequalification of contractors to design and build sea-front defenses in the Beirut Central District.

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Contractors who have already submitted an Expression of Interest document for these works do not need to take further action, unless they wish to add to the information already provided.

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Arms payoff facts prove scarce

By Robert Peston, William Lewis and Jimmy Burns

"Thatcher's millions from Saudi defence deal" is the UK journalistic equivalent of "Who shot Kennedy?"

An army of journalists has investigated the long-running allegation that Mr Thatcher exploited his position as the then prime minister's son to take a fat commission on the 20th Al Yamamah military contract between Saudi Arabia and the UK.

A consensus has developed among the many Thatcher conspiracy theorists that he was paid \$20m.

Hard facts are scarce, however. There is one piece of documentary evidence, authenticated as part of a US court case, that he played some role

Al Yamamah deal

In the deal. This is a 1989 memorandum written by a US defence company executive purporting to be an account of the executive's conversation with an employee of the US embassy in Riyadh about Saudi defence sales.

It contains the tantalising but obscure sentence: "This 4 bil US was mentioned in connection with M. Thatcher's (sic) son."

A rather more comprehensive account of his alleged role in defence sales is contained in another company's memorandum, although this has never been authenticated. It was passed by Mr Jeffrey Rooker, the Labour MP, to Downing Street for further investigation

but the government has never commented on its veracity.

Mr Howard Teicher, an adviser to the US National Security Council during the Reagan presidency, insisted two years ago that he saw intelligence and diplomatic dispatches confirming Mr Thatcher's involvement in Al Yamamah.

More recently The Sunday Times newspaper reproduced transcripts of alleged conversations between arms dealers and agents of the Saudi royal family which appeared to confirm that Mr Thatcher had acted as an agent in that deal.

The Sunday Times has, however, disclosed that it does not possess the original tapes - and anyway the transcript gives no detail of payments to

Mr Thatcher. Officials and politicians have privately confirmed that in the mid-1980s Mr Thatcher was mixing in the circles of those who were involved in the negotiations - so the journalistic quest for this body of alleged sleaze will go on.

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Mr Thatcher said: "Merely because I know this man does not mean to say that he is going to pay me £12m because I am a nice guy."

Dabbler in a variety of sectors

By Jimmy Burns and Robert Peston

The little bit of help which Mr Mark Thatcher received in his US investment business from his mother's corporate friends is strikingly reminiscent of the affair which first drew attention to his business career.

This was his role as a consultant more than a decade ago working for Ceneration.

Ceneration's owner, Trafalgar House - like Hanson and Mr Li - is another substantial Conservative party donor.

The career

There was a political storm when his role for Ceneration was disclosed, because Oman awarded the company a contract for building a university at about the same time as his mother visited the country.

Mr Thatcher was at that period working with his friend Mr Stephen Tipping, a former racing driver, in a consultancy company called Montegale International.

Mr Tipping said this week

that his business dealings with Mr Thatcher ceased in 1985, when Montegale went into voluntary liquidation, although he remained a friend of the former prime minister's son.

One of Mr Thatcher's most visible business ventures was in Hong Kong in the 1980s, where he was paid to appear in television commercials for whisky and clothes. Mr Thatcher had become something of an international celebrity in his alternative career as rally driver, having got lost in the Sahara desert for six days.

He has also dabbled in a variety of sectors as a "consultant" or middleman with mixed results. Mr Leon Walger, an Argentine businessman, this week talked of his "frivolous business relationship" with Mr Thatcher.

Mr Walger said: "We wanted to sell electrical power stations to Peru and there was a project in Paraguay to build a railway from Asuncion to Paranaguá port in Brazil for the shipment of soy."

Additional reporting by David Pilling in Buenos Aires.

Airline industry raps new UK tax

By Paul Betts,
Aerospace Correspondent

The introduction tomorrow of a new airport departure tax in Britain was yesterday attacked by the International Air Transport Association (IATA) as an example of government taxation policy undermining the recovery of the airline industry.

Mr Pierre Jeannot, director-general of the trade organisation that represents more than 200 international airlines, criticised the new UK tax in his annual report, prepared for IATA's annual meeting in Mexico City today. At a time when the airline industry was finally showing signs of profitability, it was confronted with government proposals to impose fees on passengers to pay for a variety of activities such as

supporting United Nations peace-keeping forces, paying membership fees to international bodies, upgrading meteorological equipment, infrastructure development and reducing environmental pollution.

"To single out international air transport as a means of funding such activities is discriminatory," IATA says in its annual report.

IATA confirmed that the industry had lost \$4.1bn on international scheduled services alone last year and had accumulated losses for the past four years totalling \$15.5bn.

But things were improving, with traffic now growing more quickly than capacity. Mr Jeannot said airlines were expected to show a modest profit on international scheduled services of about \$1bn this year. IATA is also fore-

casting average annual growth of 6.6 per cent for international passenger services between now and 1998 and average annual growth of 9 per cent for freight during the same period.

Although this was "good news", he warned that "profitability of \$1bn would represent less than 1 per cent of turnover against a steady requirement for 5-6 per cent."

Britain's new tax involves a levy of \$5 for travel to European destinations and \$10 to other international destinations. However, airlines expected the \$5 levy to apply only to EU member states, and have been charging \$10 tax on tickets for travel after November 1 to European destinations outside the EU.

But the tax for all European destinations has now been set at \$5, and airlines will be refunding passengers who

have been overcharged at check-in. Mr Jeannot said: "Taxes simply increase airline costs at a time when consumers are demanding lower fares."

The new UK tax is at the middle of the scale of departure taxes elsewhere. In Europe, these include: \$2.40 at Amsterdam, \$4.80 at Antwerp, \$14 at Athens, \$9.50 at Brussels, \$4.50 at Copenhagen, \$12 at Faro, \$2.50 at Frankfurt, \$5.80 at Rome and \$1.90 for domestic flights and \$2 for international flights at Paris.

Airport taxes at US international gateways range from US\$18-US\$21, while all Canadian international gateways charge C\$19.

The departure tax at Tokyo is \$13.20, while Hong Kong charges \$4.50, Beijing \$4.70, Bangkok \$5.50, Auckland \$7.75, Bombay \$5.50 and Singapore \$5.50.

PM backs minister as 'sleaze' debate looms

By Philip Stephens,
Political Editor

Mr John Major yesterday offered strong backing for Mr Jonathan Aitken, the Treasury chief secretary, as the government prepared for a full-scale Commons confrontation over allegations of ministerial sleaze.

The prime minister's stance came amid strong attacks by Tory MPs on Mr Peter Preston, the editor of the Guardian, following the disclosure that his newspaper had used House of Commons notes to obtain a copy of Mr Aitken's £1,000 bill for a stay at the Ritz Hotel in Paris last year.

Mr Aitken meanwhile dismissed suggestions that he had broken parliamentary rules by not declaring a company directorship.

Mr Major's backing for Mr Aitken followed renewed demands from Labour for the Commons to hold public hearings into allegations of financial impropriety.

But Downing Street said Mr Major had not budged from his view that public hearings would prompt unfounded "smeared" against innocent MPs. Senior Conservatives added that the government could not intervene in the

The members of the Nolan Commission, set up by the British government to review standards in public life, were named at the weekend. They are:

- Tom King, former Conservative Defence secretary;
- Peter Shore, former Labour Trade secretary;
- Lord Thompson of Monifieth, Liberal Democrat peer who was previously an EC Commissioner;
- Sir Clifford Boulton, retiring Clerk of the House of Commons;
- Sir Martin Jacob, chairman of the British Council and deputy chairman of Barclays Bank;
- Prof Anthony King, politics professor at the University of Essex and a frequent BBC television commentator;
- Sir William Utting, chairman of the National Institute for Social Work;
- Dame Anne Warburton, former British Ambassador to Denmark and the United Nations, and
- Diana Warwick, chief executive of the Westminster Foundation for Democracy.

work of the all-party privileges committee without challenging its long-standing tradition of independence.

Labour, whose MPs are boycotting the present investigations, has tabled a motion for today's Commons debate demanding public hearings by the privileges committee of charges against individual MPs. But a government amendment says the committee itself

must decide on its procedures.

Despite today's expected confrontation senior Conservatives stressed that there was still scope for a compromise between Labour and Tory MPs on the committee.

One suggestion was that individuals' evidence could be heard in private while the committee held public sessions to debate wider points of principle.

Trade mark law has the sweet smell of success

By Robert Rice,
Legal Correspondent

UK businesses will be able to register three-dimensional shapes, sounds and even smells as trade marks for the first time today when the new trade marks legislation comes into force.

The 1994 Trade Marks Act is designed to streamline and simplify procedures for protecting brands and bring UK trade marks law into line with the rest of the European Union.

The UK Patent Office estimates the new law will save British business up to \$60m in the first year and \$30m a year thereafter.

Half the savings in the first year will come from the UK's ratification of the Protocol to the Madrid Agreement on the international registration of trade marks. This will allow UK companies to register their marks in all countries which are party to the Madrid Agreement in a single application.

The new laws have produced a welter of advice from trade-mark lawyers. London solicitors Lewis Silkin are advising all their clients to seek registration for their names, logos and packaging.

Once branding has been protected there will be no need to prove established goodwill and misrepresentation to establish passing off, or to fight infringement of copyright or design right battles, it says.

Some marks will still be excluded from registration, however. Names which are exclusively descriptive or geographical, shapes which result from the nature of the goods or which give substantial value to the goods, national flags, the Red Cross and royal insignia are all excluded. This casts doubt on whether such things as York Trailers, Dimples Whisky bottles and Jif Lemons will be registrable.

In addition to making it easier to apply for an international trade mark under the Madrid Protocol, the act sets out procedures for applying for a Community Trade Mark.

Community trade marks, expected to come into force in 1995, will allow UK businesses to get EU-wide protection for their mark with one application to the European Trade Marks Office in Alicante, Spain. At the moment companies have to file separate applications in each EU member state.

UK NEWS DIGEST

Milk row as dairy market is shaken up

Britain's Dairy Trade Federation, which represents milk processing companies, is to complain to the Office of Fair Trading and the European Commission about the shake-up of the UK dairy market which begins tomorrow.

The market will undergo its biggest change for 61 years when the Milk Marketing Board, the statutory buyer of milk, is abolished and farmers become free to sell to any purchaser.

The Dairy Trade Federation will make a formal complaint to the Office of Fair Trading and the European Commission on the grounds that a regulated public monopoly is being replaced by an unregulated private one.

The complaint is directed at Milk Marque, the voluntary farmers' co-operative set up by the board to act as a milk broker. Milk Marque has secured 88 per cent of supplies in England and Wales. Deregulation is taking place simultaneously in Scotland and is due next April in Northern Ireland. The rest of the £3.2bn market is fragmented among about 40 dairy companies or small groups of farmer-processors buying direct from farms.

The dairy companies say this gives Milk Marque the power to push prices up sharply - an unreasonable position when European milk quotas prevent British farmers producing more than 85 per cent of the domestic market's needs.

Move to save Post sale

Mr Michael Heseltine, Britain's trade and industry secretary, has launched a last-ditch effort to rescue his proposed sale of a majority stake in the Royal Mail ahead of a cabinet decision this week on whether to drop the privatisation.

With a dozen Tory MPs publicly committed to oppose the sale of a 51 per cent in the Royal Mail, Mr Heseltine was said to be considering a range of possible compromises to "buy off" the rebels. Mr Kenneth Clarke, the chancellor, is also determined that the sale should go ahead.

The two main cabinet supporters of privatisation will seek to persuade Mr John Major that some at least of the Tory opponents could be persuaded to support a sale if stronger guarantees were given on the future of small post offices.

But there were also suggestions among Tory MPs that, as a fall-back position, Mr Heseltine was ready to consider legislating initially for the sale of a minority stake or for a majority sale phased on over a number of years.

The Treasury, however, remains strongly opposed to the idea that the Post Office be given much greater freedom within the public sector. Mr Clarke has argued that such a move would significantly undermine the present rules for public borrowing.

Upbeat inflation view

Britain will not experience a sharp return to wage inflation or an escalation in pay settlements over the next twelve months, says the independent Industrial Relations Services in its annual review of pay prospects published today. The report believes "any upturn in pay awards will be small in the immediate future with settlements likely to rise by between 3 to 3.5 per cent in the early months of 1995".

IRS argues that the downward pressure on settlements of recent years - poor corporate performance and employers' inability to raise their product prices - remains strong.

Meanwhile, a report by City stockbroker Goldman Sachs says that UK interest rates should rise soon to hold down inflation.

The report says that analysis of the firm's inflation indicators provides "a strong case" for the rise if the government wants inflation to remain in its target range of 1 per cent to 4 per cent. The warning comes ahead of tomorrow's Bank of England third quarter inflation report and Wednesday's meeting between the chancellor of the Exchequer and Mr Eddie George, the Bank's governor.

Minimum wage split

Four out of ten UK engineering companies support the introduction of a statutory minimum wage, says a survey from the Engineering Employers Federation.

Although just over half those polled opposed the idea, the level of support for a statutory minimum wage among 100 engineering business leaders is surprisingly high.

A similar number believed a minimum wage would have no effect on unemployment levels, while 51 per cent said the jobsless total would rise. More predictably, two-thirds of companies said that accepting the provisions of the European Union's Social Chapter would lead to substantial job losses in the UK.

The results are contained in the EEF Manufacturing Matters Survey, conducted in the run-up to today's Manufacturing Matters conference in London.

More than half of those polled said short-termism by the Government had contributed to the decline in British industry over the past decade.

Safeway joins cola war

Safeway, Britain's third-largest food retailer, is joining the cola wars with the launch of an own-label cola called Safeway Select, putting further pressure on brand leaders Coca-Cola and Pepsi.

Safeway's product, on sale in all its stores from today, follows the high-profile launch of Classic Cola by J Sainsbury, the UK's largest supermarket group, and of Mr Richard Branson's Virgin Cola.

The launch throws Britain's three leading superstore chains into a head-to-head battle, since Virgin has signed a six-month exclusive distribution deal with Tesco. All three products are made by the same manufacturer, the Canadian soft drinks company Cott, but each claims to have its own unique formulation with which to attack the UK cola market, said by Safeway to be worth \$1.5bn a year.

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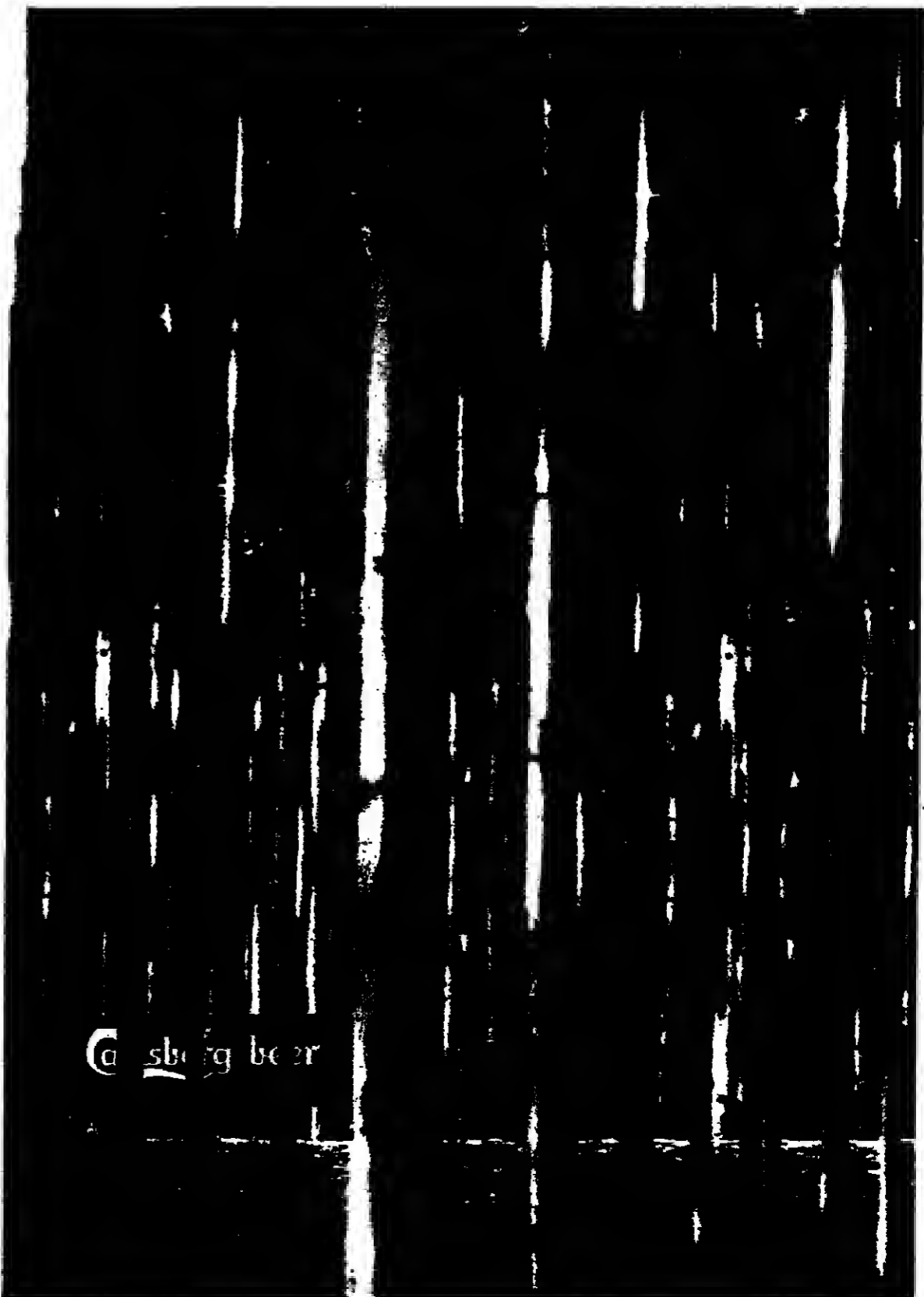
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MANAGEMENT

Vanessa Houlder examines why Total Quality Management has been slow to take root in Europe

Total Quality Management, one of the most pervasive management doctrines of the 1980s, has lost some of its glamour in recent years. But its central idea – that quality should be applied to every aspect of an organisation – still commands passionate support from its converts.

"Quality is a way of life," declares Jan Timmer, president of Philips Electronics, the Dutch group. "Total quality is not a passing business fad but embedded in the permanent principles of human philosophy," says Louis Schweitzer, president directeur général of Renault, the French car company.

These endorsements, made at a European Quality Management Forum in Amsterdam this month, reflect the strength of enthusiasm expressed by exponents of the quality movement. Its advocates are eloquent about its central themes, namely the importance of the customer, the case for empowering employees, the need to view business activities as processes and the goal of continuous improvement.

The rhetoric associated with TQM is underpinned by a serious debate. Is Europe once again falling behind on quality? If so, is TQM, which is no longer viewed as a panacea in the US, the best way forward?

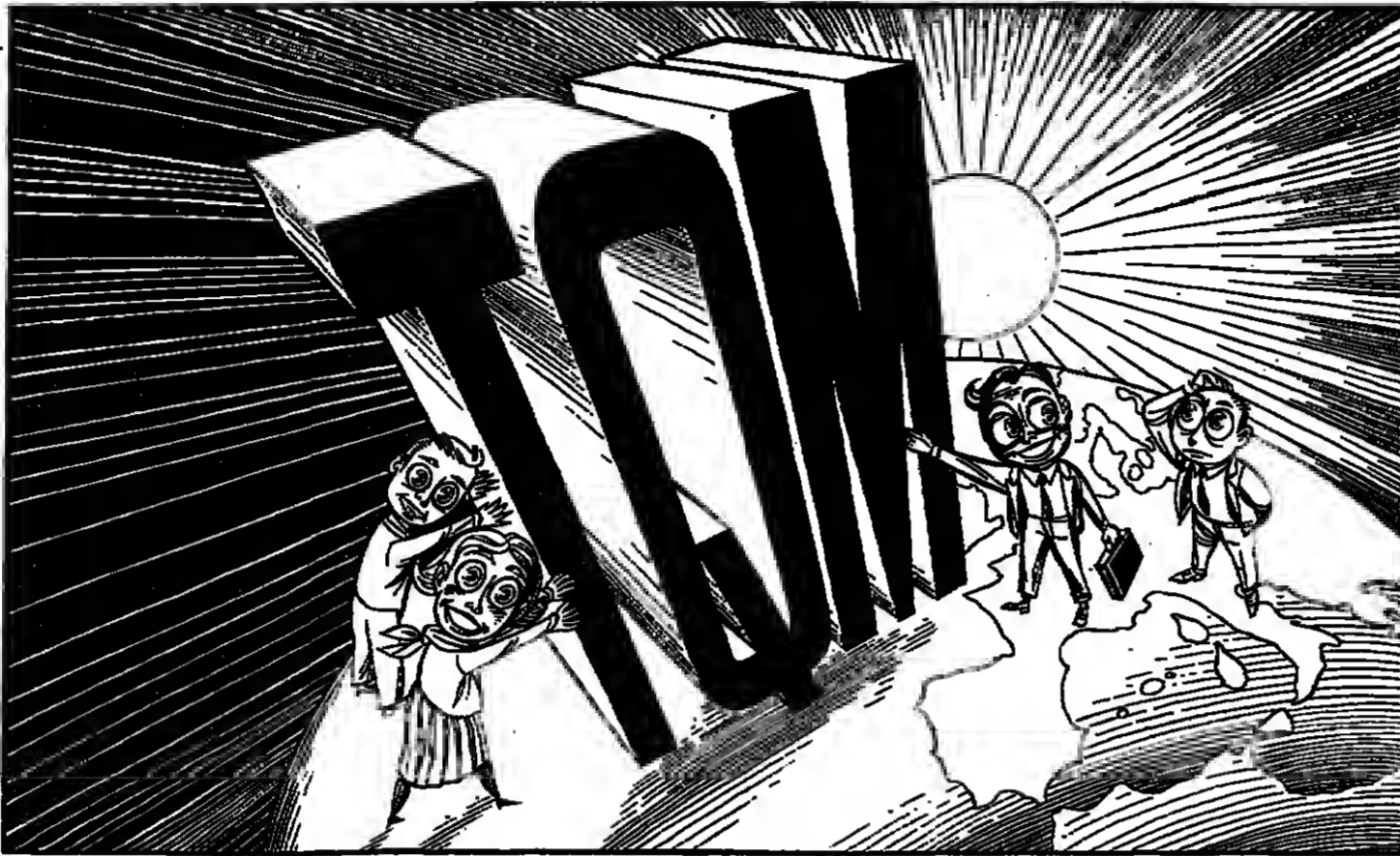
Europe's take-up of TQM remains well behind that of the US, which adopted TQM in the 1980s, and Japan, where TQM first became entrenched in the 1950s and 1960s. A survey by the European Foundation for Quality Management, the Brussels-based body which organised the Amsterdam conference, found that 30 per cent of European companies claim to have adopted TQM, compared with 55 per cent in North America and 53 per cent in Asia. Even fewer European companies – a mere 5-10 per cent – are actively pursuing TQM, it says.

Champions of TQM view these figures with dismay. "European companies will fall short on quality if they do not participate in TQM," according to Geert de Raad, the EFQM's secretary general. The European Commission is also concerned. It has proposed a "European policy for the Promotion of Quality" in a recent white paper.

A particular concern for the promoters of TQM is to extend its reach into countries, such as Germany, where it has made little impact, although BASF, Siemens, Grundig and Volkswagen are notable exceptions.

"In Germany where quality has always been established, TQM is not as easily accepted as in many

Two steps forward, one step back



other countries," says de Raad.

The mixed reviews earned by TQM should not necessarily be a deterrent. When the Conference Board, a business membership organisation, reviewed a large number of reports on TQM last year, it concluded that "progress in this difficult area appears generally positive".

That said, many problems recur in implementing TQM. A particular challenge concerns winning the support of employees, especially in companies where morale is undermined by redundancies or where the top management is seen to lack a "gut commitment" to quality.

Middle managers, in particular, are often unenthusiastic about "empowering" their subordinates. "Middle management are going to find it hard to delegate the responsibility when their own jobs depend on meeting budget targets," says Peter Herriot, director of research at Sundridge Park Management Centre in the UK.

Another common criticism of TQM is that it is too inward-looking. An obsession with methodology and standards can distract a company from chasing sales. Excessive red tape can make employees disillusioned. An early quality programme run by Philips Electronics,

for instance, failed because of "an overemphasis on systems and procedures and forms to fill", Timmer explained at this month's Amsterdam gathering.

But champions of TQM believe that it should focus the minds of managers on both external and internal factors. The model published by the EFQM, for instance, stresses business results, the impact on society, people satisfaction and customer satisfaction, as well as internal issues such as processes, policy, people management and leadership.

One of the tasks facing promoters of TQM is how to increase the

uptake of total quality in different types of organisation. Its most notable successes have been concentrated in manufacturing companies, primarily in large international companies. All three winners of the European Quality award sponsored by the EFQM have, so far, had foreign parents.

The relatively low number of quality accolades won by the service sector in Europe can partly be explained by their tendency to adopt TQM later than manufacturers, many of which were brought into total quality by adopting quality standards.

Companies with a strong market-

ing bias have also moved into TQM relatively late, partly because they found TQM's emphasis on customer satisfaction "boringly bland", according to John Sharpe, chairman of Birds Eye Walls. He believes, however, that TQM can help companies address neglected issues.

Smaller companies have also tended to be slow to take up TQM, partly because managers may feel too busy to undertake the extra work and partly because they are often more closely in touch with their customers than larger companies.

Increasingly, however, they may be under pressure to fall in line with the demands of larger customers.

"Unless suppliers are in tune with the quality demands of their customers they will not be able to meet their demands," says Clive Capp, managing director of Howard UK, an IT support company that has enthusiastically endorsed TQM.

Public-sector organisations are also beginning to experiment with TQM. The principles of TQM for non-profit organisations are no different than from any commercial organisation, once they define the nature of their customers and their results, says Ian Ralsbeck, director of quality at the Royal Mail. The EFQM is making efforts to bring more small companies and non-profit organisations into its fold. At the same time, it is working on promoting TQM in under-represented countries, notably Germany.

The attitude of German companies may be changing, according to the findings of a separate report by the Conference Board.

"As global competition intensifies, German companies are concluding that a narrow definition of product quality is no longer sufficient to ensure success," it says.

Evidence suggests, therefore, that TQM is gradually building up momentum in Europe, although progress remains slow in several sectors and countries. The promoters of TQM have a tough challenge in sustaining interest in TQM in the notoriously fickle marketplace for management concepts.

Enthusiasts, such as Schweitzer, are convinced that TQM will not be superseded by other management fads.

"The principles of TQM are a matrix in which many other doctrines fit," he says. "The basic principles of total quality are permanent principles of good management."

receive a feedback report, highlighting their strengths and weaknesses. For D2D, its assessment showed that it needed to improve its performance concerning its "impact on society" and "business results".

Winning the EFQM's award does not mean D2D can relax in its efforts to improve the quality of its business, says Kelly. "It is a milestone but not the end of the journey," he says. "The moment we stop changing we start to die."

Brochures for self assessment and applications for the 1995 award are available from EFQM, Avenue des Pléiades 19, 1200 Brussels, Belgium.



PIONEERS AND PROPHETS

Douglas McGregor

Knowingly or otherwise, every western manager who is applying the lessons learned on an organisational "change" programme of any kind has become a follower of this social psychologist-turned college president (1906-1964).

His influence has reached us by two routes over the past decade: through the work of popular writers such as Tom Peters, Robert Waterman, Rosabeth Moss Kanter and Warren Bennis, the leadership expert who was a pupil of McGregor; and via his impact on modern performance appraisal processes, reward systems and other personnel management techniques.

McGregor's main contribution came just four years before his death, in *The Human Side of Enterprise*, a book which transformed into a convincing managerial theory the overworked and often cynical mantra that "an organisation's greatest asset is its people". The theory was taken to extremes by the "human relations" school which followed McGregor: its excessive emphasis on bottom-up management at the expense of authority damaged his credibility. But the more balanced practice of his principles in recent years has rightly restored his reputation.

McGregor's creed will be familiar to every manager trying to operate in a flat, high-performance organisation in Europe or the US today, that most people, in most situations, are best motivated by being treated as part of a community where objectives and responsibility are shared. They will then exercise self-direction and self-control, and use their creativity to help resolve the organisation's problems. This doctrine of "intrinsic" motivation, which McGregor christened "Theory Y", contrasted starkly with the traditional command-and-control doctrine propounded earlier in the century by, among others, Henri Fayol, and still practised by many organisations today.

McGregor called this "Theory X", and lambasted managers for subscribing to its underlying assumption that most human beings are lazy, avoid work and responsibility and need to be controlled, threatened and kicked in order to contribute even just adequately to organisational objectives.

McGregor's distinction between theories X and Y has become so influential in the US and Europe over the past few years that it has been taken as being applicable around the world. But this is open to question. In a speech last month, Gerrit Hofstede, an expert in national cultures, argued that the distinction is irrelevant, for instance, in south-east Asia, where people's attitudes to work, and to the groups of which they form part, are very different from those of westerners.

As with so many other culture-bound management principles – eastern as well as western – the worst mistake of all is to think that McGregor's approach constitutes the "one best way" of doing things in all circumstances. To embroider an accolade from Bennis, "McGregorian chant" may be "profoundly true" in the west, but not for everyone everywhere.

Christopher Lorenz

Satisfaction guaranteed

Design to Distribution (D2D), the ICL subsidiary which won this year's European Quality Award, attributes a fundamental improvement in its performance to total quality management. "Quality management satisfies customers, reduces costs and motivates people," says Alastair Kelly, managing director.

TQM has helped D2D, a contract electronics manufacturer, achieve a 300 per cent increase in staff productivity since 1980 and save £2m a year from "getting things right first time," he says.

But after 10 years of working on TQM, he emphasises that the technique is "no quick fix". D2D has

gone through several stages of using TQM, in which it experimented with different techniques and addressed a succession of issues.

The company had to reappraise its approach at one point. After many years of applying TQM and winning various awards, D2D had disappointing results in 1990 when it polled customers for their views. It found that many of their requirements had not been included in the company's evaluation model.

As a result, it adopted the business model constructed by the European Foundation for Quality Management which encouraged it to take a more comprehensive approach to quality issues. As part of this, it tried to improve customer service by training staff and introducing a score-card system to allow customers to specify exactly what they needed.

The EFQM model requires a company to assess itself on nine issues, namely leadership, policy and strategy, people management, resources, processes, customer satisfaction, people satisfaction, impact on society and business results.

Many companies use this model for their own assessment purposes without putting themselves forward for the European Quality Award. Those companies which do go forward for the award prepare a report which is scrutinised by a six-member team of assessors.

Companies that are short-listed receive a site visit. The companies deemed to have demonstrated the highest standards of TQM are given a quality prize; the best is given the European Quality Award. This year's other prize winners were IBM SEMEA, which manages IBM operations in southern Europe, the Middle East and Africa, headquartered in Italy, and Telefonos de Spain, a Spanish telecommunications company. All applicants for the award

Of fish 'eads, baked beans and cola

There are signs, say researchers, of a tilt in consumer sentiment away from cut-price, own-label goods and back towards higher-priced branded ones. But the "demanding consumer" – acutely value-conscious and sceptical about advertising claims – is now said to be a fixture of the retail landscape.

That sounds correct to me, though I find myself moving in the opposite direction to the general mood. For example, I have boycotted own-label food products for years. This followed a visit, one freezing morning, to a scene from hell: a processing plant in Hull where fishwives working for a famous food manufacturer were gutting and filleting the catch. My fur coat made them shiver.

I approached one of the women. She was placing each brilliantly-sliced fillet in a tray packed with ice and throwing the head, tail and bones into a bucket at her elbow. I said: "What's the bucket for?" She replied that the scraps in the

bucket were used by her employer to make own-label fish-fingers for a supermarket chain. I said I found that shocking. She said: "You've hardly lived, my robin. There's nothing wrong with 'eads'."

After that I ignored own-label products, believing, in any case, what marketing folk told me: that the higher prices charged by makers of branded goods reflected what they said they did: superior product development and quality as trumpeted, expensively, in their advertising campaigns. Yet own-label products have got better and better. Today, almost all my supermarket purchases of commodity-type items are retailers' own-label.

Some weeks ago I had lunch with David Sainsbury, chairman of J Sainsbury, Britain's leading grocery chain. I discovered that we both do our supermarket shopping at the same branch of Sainsbury's, the one near Notting Hill. I find this supremely comforting because it strikes me that the ferocity of the price-cutting and the IQ of the staff

MICHAEL THOMPSON-NOEL



are likely to be most pronounced in the branch of Sainsbury's round which the man who owns 17 per cent of the shares is wont to push his trolley.

I asked Sainsbury about his public row with Coca-Cola over Sainsbury's look-alike own-label cola. Coke had claimed, crossly, that the look-alike's packaging imitated its own too faithfully.

Sainsbury was vivaciously unrepentant. "Fifty-five per cent of our (packaged grocery) sales are own-label," he said. "We have always been in the business of finding better-value products than the branded ones. For the first time a cola has

been found that is as good as Coca-Cola. That is a new situation for Coke."

And a worrying one, too. Today, every Tom, Dick and Harry has his own cola. To survive, owners of commodity-type brands (not just grocery ones) will have to raise their game. The other morning I was round at Sainsbury's, studying the shelf-space devoted to baked beans. What I saw was a continuing death-struggle between Heinz and Sainsbury's own brand.

Heinz offers a few lacklustre variants, including baked beans with bacon or with eight pork sausages. But nothing remotely hip. Why

doesn't Heinz give us baked beans with truffles, or with goose leg? The president of Heinz is Tony O'Reilly. Next time you see him, ask him what he's doing.

Hugo Boss, Germany's leading maker of "upscale" menswear, has a thriving chief executive: Peter Littmann, 46. Littmann is astute, but he ought to study some of the promotional material pumped out by corporate HQ in Metzingen. It is some of the wackiest stuff imaginable – a terrifying example of what might emerge if you hooked up 10 word processors in your marketing department to 10 word processors in your PR agency and let them get on with it.

Littmann's career has included broadcasting, film-making, carpets, porcelain. In March last year he was made boss of Hugo Boss, and five months later split the Boss range into three distinct brands. They are called HUGO Hugo Boss, BOSS

Hugo Boss, and BALDESSARINI Hugo Boss, after the chief designer. HUGO Hugo Boss is for younger customers; BOSS Hugo Boss focuses on business-wear; and BALDESSARINI Hugo Boss is positioned as a top-flight range of hand-tailored clothes. HUGO Hugo Boss man and BOSS Hugo Boss man are reasonably exotic dudes. But the most exotic duds is BALDESSARINI Hugo Boss man.

According to the word processors, BALDESSARINI Hugo Boss man has "charisma and sovereign ways". He is cosmopolitan and conservative, whether he is an executive or a successful artist with a passion for perfection. He shows a marked interest in culture; his sports – golf, yachting, hunting – are as distinguished as his lifestyle.

On and on it goes, indefinitely, a mish-mash of images, utterly surreal. They call this marketing. Littmann should sprint round HQ and rip all the plugs out. Things need to cool down at Hugo Boss.

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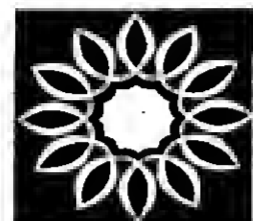
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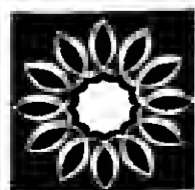
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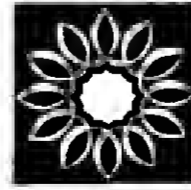


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<p>April 1994</p> <p>RENFE</p> <p>Pesetas 45.000.000.000</p> <p>Underwriter & Agent</p> <p>Banco de Negocios ARGENTARIA</p>	<p>July 1994</p> <p>FECSA</p> <p>U.S. Dollars 313.000.000</p> <p>Supplemental Agreement</p> <p>Underwriter & Agent</p> <p>Banco de Negocios ARGENTARIA</p>	<p>July 1994</p> <p>DIPUTACIÓN GENERAL DE ARAGON</p> <p>Pesetas 15.000.000.000</p> <p>Underwriter</p> <p>Banco de Negocios ARGENTARIA</p>	<p>September 1994</p> <p>KINGDOM OF SPAIN</p> <p>ECUS 8.000.000.000</p> <p>Senior Underwriter Lead Manager</p> <p>Banco de Negocios ARGENTARIA</p>	<p>March 1994</p> <p>CONTINENTE</p> <p>Pesetas 34.450.000.000</p> <p>Co-Lead Manager Domestic Tranche</p>	<p>June 1994</p> <p>Endesa</p> <p>Pesetas 167.703.612.000</p> <p>Global Coordinator</p> <p>Sociedad de Valores y Bolsa ARGENTARIA</p>
<p>June 1994</p> <p>Generalitat de Catalunya Corporació Catalana de Radio i Televisió</p> <p>Pesetas 13.000.000.000</p> <p>Underwriter & Agent</p> <p>Banco de Negocios ARGENTARIA</p>	<p>July 1994</p> <p>Canal de Isabel II</p> <p>Pesetas 12.000.000.000</p> <p>Underwriter & Agent</p> <p>Banco de Negocios ARGENTARIA</p>	<p>June 1994</p> <p>SOGEFISA</p> <p>Pesetas 12.000.000.000</p> <p>Underwriter & Agent</p> <p>Banco de Negocios ARGENTARIA</p>	<p>June 1994</p> <p>Gobierno Balear</p> <p>Pesetas 9.822.072.366</p> <p>Underwriter</p> <p>Banco de Negocios ARGENTARIA</p>	<p>March 1994</p> <p>AUMAR</p> <p>Pesetas 14.310.000.000</p> <p>Co-Lead Manager Domestic Tranche</p>	
<p>May 1994</p> <p>HOSEA</p> <p>Pesetas 8.000.000.000</p> <p>Underwriter & Agent</p> <p>Banco de Negocios ARGENTARIA</p>	<p>July 1994</p> <p>Región de Murcia</p> <p>Pesetas 7.253.000.000</p> <p>Underwriter & Agent</p> <p>Banco de Negocios ARGENTARIA</p>	<p>February 1994</p> <p>Generalitat de Catalunya Departament de Medi Ambient Junta de Seguiment</p> <p>Pesetas 5.500.000.000</p> <p>Underwriter & Agent</p> <p>Banco de Negocios ARGENTARIA</p>	<p>June 1994</p> <p>Generalitat de Catalunya Corporació Catalana de Radio i Televisió</p> <p>Pesetas 4.384.000.000</p> <p>Underwriter</p> <p>Banco de Negocios ARGENTARIA</p>	<p>March 1994</p> <p>FCC</p> <p>FOMENTO DE CONSTRUCCIONES Y CONTRATAS, S.A.</p> <p>Pesetas 48.000.000.000</p> <p>Co-Lead Manager Domestic Tranche</p> <p>Sociedad de Valores y Bolsa ARGENTARIA</p>	<p>June 1994</p> <p>kpn</p> <p>Royal PTT Nederland N.V.</p> <p>Dutch Guilders 6.872.962.500</p> <p>Co-Manager R.O.W. Tranche</p> <p>Sociedad de Valores y Bolsa ARGENTARIA</p>
<p>July 1994</p> <p>EMT</p> <p>Pesetas 1.500.000.000</p> <p>Underwriter</p> <p>Banco de Negocios ARGENTARIA</p>	<p>March 1994</p> <p>EUROPEAN INVESTMENT BANK</p> <p>Pesetas 50.000.000.000</p> <p>Joint Bookrunner</p> <p>Banco de Negocios ARGENTARIA</p>	<p>July 1994</p> <p>EUROFIMA</p> <p>Pesetas 10.000.000.000</p> <p>Joint Bookrunner</p> <p>Banco de Negocios ARGENTARIA</p>	<p>February 1994</p> <p>LFA</p> <p>Deutsche Landesbank für Auslandsbanking</p> <p>Pesetas 10.000.000.000</p> <p>Joint Lead Manager</p> <p>Banco de Negocios ARGENTARIA</p>		
<p>January 1994</p> <p>FECSA</p> <p>Pesetas 30.000.000.000</p> <p>Lead Manager & Agent</p> <p>Banco de Negocios ARGENTARIA</p>	<p>January 1994</p> <p>Generalitat de Catalunya</p> <p>Convertible Term Loan</p> <p>Pesetas 25.000.000.000</p> <p>Lead Manager & Agent</p> <p>Banco de Negocios ARGENTARIA</p>	<p>July 1994</p> <p>Sevillana de Electricidad</p> <p>Pesetas 20.750.000.000</p> <p>Lead Manager & Agent</p> <p>Banco de Negocios ARGENTARIA</p>	<p>September 1994</p> <p>Corporación Banamaria ARGENTARIA</p> <p>French Francs 1.500.000.000</p> <p>Joint Lead Manager</p> <p>Banco de Negocios ARGENTARIA</p>	<p>January 1994</p> <p>Empresas La Moderna S.A. de C.V.</p> <p>U.S. Dollars 344.655.350</p> <p>Co-Manager International Tranche</p> <p>Sociedad de Valores y Bolsa ARGENTARIA</p>	<p>February 1994</p> <p>IMI S.p.A.</p> <p>ISTITUTO MOBILIARE ITALIANO</p> <p>Italian Lires 2.180.000.000.000</p> <p>Co-Manager Institutional Tranche</p> <p>Sociedad de Valores y Bolsa ARGENTARIA</p>
<p>May 1994</p> <p>Gobierno Balear</p> <p>Pesetas 15.000.000.000</p> <p>Lead Manager & Agent</p> <p>Banco de Negocios ARGENTARIA</p>	<p>March 1994</p> <p>Convertible Term Loan</p> <p>Pesetas 15.000.000.000</p> <p>Lead Manager & Agent</p> <p>Banco de Negocios ARGENTARIA</p>	<p>July 1994</p> <p>RENFE</p> <p>Pesetas 15.000.000.000</p> <p>Lead Manager & Agent</p> <p>Banco de Negocios ARGENTARIA</p>	<p>June 1994</p> <p>KINGDOM OF SPAIN</p> <p>French Francs 8.000.000.000</p> <p>Co-Lead Manager</p> <p>Banco de Negocios ARGENTARIA</p>	<p>June 1994</p> <p>Grupo Iusacell, S.A. de C.V.</p> <p>U.S. Dollars 233.618.065</p> <p>Co-Manager Institutional Tranche</p> <p>Sociedad de Valores y Bolsa ARGENTARIA</p>	<p>June 1994</p> <p>case</p> <p>Case Equipment Corporation</p> <p>U.S. Dollars 332.500.000</p> <p>Co-Manager International Tranche</p> <p>Sociedad de Valores y Bolsa ARGENTARIA</p>
<p>1994</p> <p>ARGENTARIA</p> <p>2 Subordinated Issues</p> <p>4 Fixed Issues</p> <p>Lead Manager & Agent</p> <p>Banco de Negocios ARGENTARIA</p>	<p>June 1994</p> <p>Gobierno de Navarra</p> <p>Pesetas 8.000.000.000</p> <p>Lead Manager & Agent</p> <p>Banco de Negocios ARGENTARIA</p>	<p>May 1994</p> <p>BCL</p> <p>Banco de Crédito Local</p> <p>Pesetas 6.000.000.000</p> <p>Lead Manager & Agent</p> <p>Banco de Negocios ARGENTARIA</p>	<p>September 1994</p> <p>Banco de Negocios ARGENTARIA</p> <p>3.000.000 CALL WARRANTS related to an INTEREST RATE SWAP</p>	<p>September 1994</p> <p>USIMINAS</p> <p>Usinas Siderúrgicas de Minas Gerais, S.A.</p> <p>U.S. Dollars 417.422.086</p> <p>Co-Manager International Tranche</p> <p>Sociedad de Valores y Bolsa ARGENTARIA</p>	<p>July 1994</p> <p>INRA</p> <p>Istituto Nazionale delle Assicurazioni S.p.A.</p> <p>Italian Lires 4.536.000.000.000</p> <p>Co-Manager Institutional Tranche</p> <p>Sociedad de Valores y Bolsa ARGENTARIA</p>



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ARGENTARIA

BUSINESS TRAVEL

Calls from the air

KLM, the Dutch airline, is installing telephones in every business-class seat of its long-haul Boeing 747s, and on wall-mounted units in tourist class.

The airline will use the Inmarsat satellite network. This permits almost unrestricted calls, as opposed to other carriers which use aircraft-to-ground systems, where calls are possible only within range of a ground station. Calls will cost \$9 a minute, with a connection fee of \$5.

HK in a jam

In Hong Kong, a daily 10-minute traffic jam could be costing the British colony huge sums, Hong Kong Bank has calculated. "If the time spent in traffic congestion [were] put to productive use, a 10-minute daily delay for each worker would equal 124m working hours for the whole economy," it said. Translated into money terms, this would imply an additional output of HK\$18bn (\$2.3bn).

Traffic conditions have deteriorated sharply in Hong Kong, with car ownership outstripping road construction. And rapid expansion of trade with China has boosted freight and passenger movements across the border.

Frankfurt terminal

Frankfurt airport, Europe's number one cargo hub and second only to London Heathrow in passenger numbers, opened its new Terminal 2 last week. It hopes to attract traffic away from crowded Heathrow. "We're expecting around 4m to 5m passengers through Terminal 2 next year," a spokesman said. "It can handle 12m passengers, and can be expanded."

Frankfurt is ready to attract more international passenger and cargo flights as Heathrow and Gatwick, London's other main airports, near saturation. Lufthansa, Germany's

national airline, will occupy half of Frankfurt's Terminal 1 together with about 90 minor airlines. About 20,000m has been spent updating Lufthansa's facilities, which will also be used by Air France, Thai Airways and United Airlines. Around 20 international airlines including British Airways, Delta Airlines, Deutsche BA, Japan Airlines and Air France, will move to the new terminal, which will be connected to Terminal 1 via an automatic overhead railway similar to Gatwick's.

Frankfurt has also spent large sums on an underground baggage-handling system.

Bombay chaos

Overcrowding, breakdowns and a shortage of funds have turned rail commuting in and around Bombay into a daily nightmare. The 2,000 trains on Bombay's suburban network bundle nearly 5m people to work each day. Frustration has turned to violence five times in the past four months, with commuters wrecking property. The authorities plan to use longer trains and phase out level-crossings. But raising funds will be difficult. "We may have to consider approaching the European market, through the finance ministry, for cheaper funds," said an official.

Acropolis shut again

Visitors hoping for a closer look at the Acropolis in Athens were disappointed yesterday after an unemployed man threatened to commit suicide. The Acropolis has been closed since October 3 because of a guards' strike.

The culture ministry guards, who want higher pay, decided on Friday to open the site for three days after a court ruled their "walkout was illegal." They will consider today whether to resume their strike. But police sealed off the monument after a man posed scaffolding and threatened to jump.

Likely weather in the leading business centres

	Mon	Tue	Wed	Thu	Fri
Tokyo	18-20	17-19	20-22	18-20	16-18
Hong Kong	20-22	20-22	20-22	20-22	20-22
London	10-12	10-12	10-12	10-12	10-12
Frankfurt	10-12	10-12	10-12	10-12	10-12
New York	10-12	10-12	10-12	10-12	10-12
L. Angeles	24-26	24-26	24-26	24-26	24-26
Paris	10-12	10-12	10-12	10-12	10-12
Seoul	10-12	10-12	10-12	10-12	10-12
Beijing	10-12	10-12	10-12	10-12	10-12

Maximum temperatures in Celsius

Revival of a ghost town

The reconstruction of Beirut is under way, says John Westbrooke

After years in the wilderness, Lebanon is starting to put itself back on the map, and it would like the world to notice. This will not be easy. From 1975 to 1990 Lebanon was racked by a civil war involving an array of religious sects and interested neighbours; 200,000 or so people died and 1m fled abroad. And foreigners were targeted: Terry Waite was the best known of many hostages.

The war was not won. It just wound down. But the shooting stopped and the hostages went free. A comprehensive Middle East settlement remains in the future, but Beirut is a city at peace, with much reconstruction to be done.

A \$1.8bn company called Solidere was floated this year to rebuild downtown Beirut. It has raised some 95 per cent of its capital from Lebanese at home and abroad, though foreign groups have taken a big share of the contracts. Americans, however, are restrained by a state department ban on Beirut airport.

In the meantime, the core of Beirut is an eerie place. Several blocks near the Place des Martyrs and the Green Line, which divided east and west Beirut, have been cordoned off from traffic. Squatters have been thrown out.

The streets are lined with elegant stone buildings. Though windows and shop-

fronts have been blasted away and walls pockmarked by sniper fire, the fabric is sound, for the area was spared the heavy shelling that devastated other parts of town.

Solidere has pulled down 300 of the most damaged buildings - far too many, say critics of its mega-plans to provide marinas, reconstruct vanished souks and create a residential "Levantine village". Next comes a three-year rebuilding of the infrastructure.

After that, the remaining buildings will be restored and the inner city brought back to life. Until then, the authorities hope the area will prove a tourist attraction - morbid perhaps, but an authentic modern ghost town.

Beyond the downtown area, Beirut is alive and bustling, though there are armed groups of soldiers and military police everywhere, some in tanks. It is by no means clear what they are for, and foreigners may feel that their presence makes the city look more of a militarised zone than it really is.

Out in the countryside we heard a rattle of gunfire. "Shooting birds," said our guide firmly. "Wedding celebrations," said someone else's guide, equally firmly. What-

ever it was, it wasn't war. Many of the soldiers are Syrian peacekeepers, and there are more images of Syria's President Hafez al-Assad than of Lebanon's own leaders.

At ground level, Beirut - once known for its Riviera-like beauty - is dusty. From the mountains, it looks appallingly polluted, swathed in a dense brown cloud. The main reason is cars: one "statistic" we were given was that there were five for every house-

hold. Real post-war Lebanese statistics are almost non-existent, but public transport was one of the institutions wiped out. Everyone drives (hair-raisingly badly) and jams are common. Taxis are cheap, however, and drivers, like everyone else, are happy to charge in US dollars.

Solidere's plans call for the construction of big hotels in town and the restoration of old ones such as the St George's, now a seafront ruin. Meanwhile, there are a dozen or so comfortable upmarket places that offer reasonably prompt telecommunications services.

The best are said to be the Coral Beach and Summerland on the waterfront, starting at around \$180 a night. Most international cuisines

are represented in Beirut, though the most enjoyable is Lebanon's own, based on mezza - 20 or more small dishes of different dips, snacks and starters. After dark, some establishments lure customers with "top Bulgarian strip-tease" but those of us who tried clubs found only so-so discos and belly-dancers.

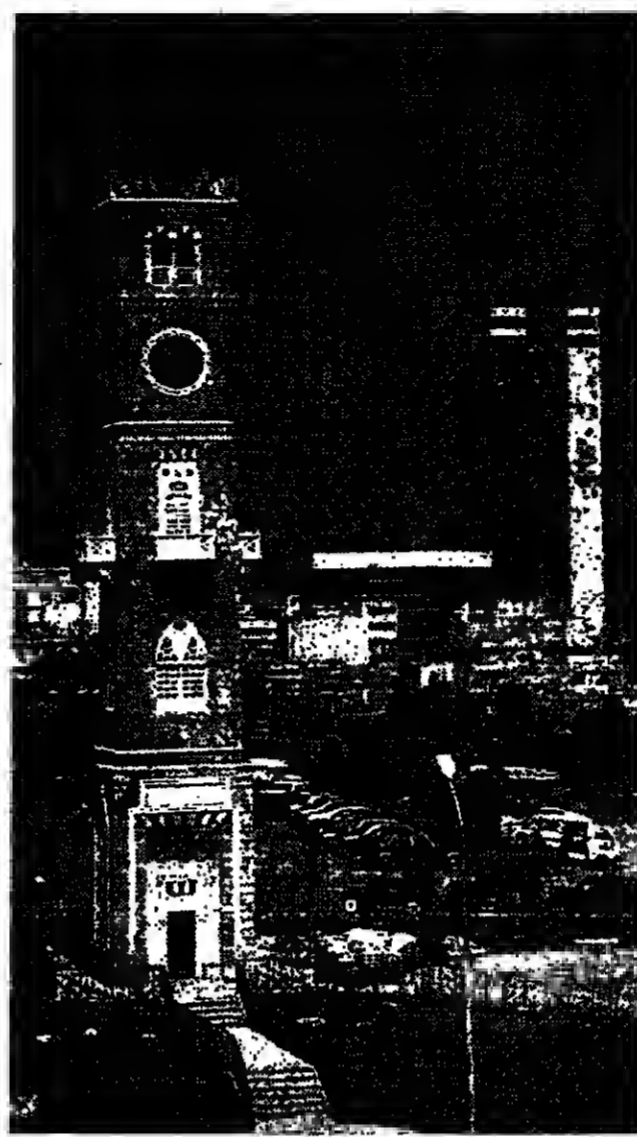
Beirutis themselves seem to spend the evenings ambling along the corniche, chatting and drinking coffee.

Dress codes are unrestrictive (men should wear ties for business meetings, which are apt to start slightly late), and the currency is all in paper, with about L21,680 to the dollar. Bargaining is widespread.

If you have a spare day, try a trip to Baalbek, 50 miles inland in the lush Bekaa valley, which has magnificent Roman ruins. Those with more time may like to visit the ruins in the 9,000-year-old city of Byblos, the 19th-century palace of Beit Eddine, or the forest of Lebanese cedars at Bsherr near Tripoli.

A new airline, British Mediterranean Airways, has started direct flights from London to Beirut five days a week (not Wednesday or Sunday), with return fares from £339. It joins the thrice-weekly service of Middle East Airlines. Be warned: formalities at Beirut airport can be time-consuming. See Observer

Though windows and shop-fronts have been blasted away, the fabric is sound



Time moves on: a restored Ottoman clocktower in Beirut

In S Korea, it is better to arrive...

Bridges fall apart. Boats catch fire. Aircraft crash. Trains collide. Ferries capsize. The past year in South Korea has been bad enough to make any traveller nervous. But the frequency of disasters during "Visit Korea Year" is especially grim news, writes our Travel Staff.

The collapse of one of Seoul's main river bridges, the Songsu, during the morning rush hour on October 21 killed at least 32 people and cast a shadow over South Korea's reputation as a world leader in construction.

As the embarrassed government expressed contrition for lax safety procedures, a pleasure boat packed with local tourists caught fire on Chungju Lake south of Seoul three days later, killing at least 25.

Yet the combined toll from these two accidents pales in comparison with the numbers killed on the roads during an average long holiday weekend.

The latest accidents have reinforced a widespread impression that travelling anywhere in South Korea - by any type of transport - is exceptionally dangerous.

Ask Yoo O-kun, a bank employee who went to Chungju Lake to recover from the Songsu Bridge nightmare - he lost his closest friend - and ended up helping to rescue people from the burning boat. "I now reckon there's no safe place in our country," he said.

"How could disasters take place in succession like this? I'm too scared to travel now." The boat disaster happened just over a year after a ferry capsized off the west coast, killing 292.

Those who think that train or air travel might be more reassuring are wrong. In August, 160 passengers and crew aboard a Korean Air Lines Airbus had a remarkable escape when it crash-landed in a rainstorm on the southern tourist island of Cheju.

In July last year, 64 were killed when an Asiana Airlines Boeing crashed on the southwest coast. And air force chief General Cho Kuk-hae was among six people killed when a helicopter crashed south of Seoul last March.

Two months ago, three were killed and 50 hurt when two express trains collided head on. A driver had ignored a signal. Last March, 79 were killed in a train accident in the southern city of Pusan.

Observers blame lax safety standards, non-enforcement of regulations - and corruption - for many accidents in South Korea.

Korea plans to spend \$100bn (\$267bn) on infrastructure over the next eight years. However, MPs, the media and engineers warn of more bad accidents to come. The lesson is clear: in South Korea, it is always better to arrive than to travel.

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SRI denounces superhighway claims US cable groups push into telecoms

By Raymond Snoddy

SRI International, one of the world's largest research institutes, has denounced the information superhighway as a myth created by media hype, and as too vague and ill-defined a concept on which to make investments.

The sceptical note comes at the end of a \$1.4m, two-year study programme, and as SRI - formerly the Stanford Research Institute - embarks on a further two-year research programme on digital-video-multimedia.

SRI is also increasingly sceptical about the idea of a significant degree

of convergence between the main communication industries, although several major industries are becoming closer through alliances and involvement in each other's markets.

"The notion that the computer, TV, video-game and telecom industries are likely to merge into one gigantic full-service entity has no support, and much evidence to suggest that the industries will continue to remain separate," SRI says.

The organisation, which over the next two years plans large reports on company strategies in the emerging interactive-media and digital-media markets, the latest technology trials, new media business models and

market prospects, warns that consumer acceptance and demand for the new services is "highly speculative". It believes that, though the potential for change in digital video technology is vast, the rate of change for most applications will be much slower than expected.

The problems range from the fact that most of the required infrastructure will not be in place before the end of the decade, a lack of agreed standards and that the cost of the technology's initial deployment remains too high.

"A good example is desktop video-conferencing. The value added to most users in increased productivity is not great enough to

warrant spending approximately \$3,000 per desk-top," SRI argues.

More than 50 large corporations, ranging from IBM and Sony to Microsoft and Siemens, are sponsoring the SRI research project. With the exception of areas such as education and video games, SRI believes there will be no stampede in the direction of interactivity, and that watching video entertainment will remain a mostly passive activity.

New services will also not only face competition against each other but with existing media. In the face of advanced pay-per-view services and video-on-demand, video rental stores will not disappear "quietly, or

quickly" but will probably lower their prices and compete fiercely.

SRI sees "packaged media" in the form of CD-Rom-based video games and video information products at the forefront of emerging new markets. Video CD will also, SRI believes, attain modest success during the next three years, but it will not reach the critical mass in consumer markets necessary to elevate it to the same levels as CD audio or VHS video. The SRI Digital Video Multimedia programme costs £23,000 to sponsor for two years, including seminars and consultancy. SRI International Europe, Menlo Park House, 4 Addiscombe Road, Croydon, CR0 5TT.

US cable groups push into telecoms

By Victoria Griffith

US cable companies are resisting the Federal Communications Commission's (FCC) ruling allowing local telephone groups into the cable business, by mounting their own bids to break into telecommunications.

Last week, cable group Time Warner applied for state permission to enter the local telephone business in Ohio. A day earlier, TCI, Cox and Comcast announced the formation of a joint venture with long-distance carrier Sprint to offer local and long-distance services, wireless communications and cable in a single package to consumers.

These forays will eventually result in the complete breakdown of barriers between the two industries, analysts predict. "In the long-term, cable will compete with the local exchanges and vice-versa," says Berge Ayvazian, senior vice-president of Yankee Group. "These companies are wise to position themselves to act quickly once the barriers come down."

Earlier this month, the FCC's "video dial tone" ruling paved the way for local telephone companies to build the infrastructure for cable services. Long-distance providers like AT&T, Sprint and MCI do not benefit from the ruling, since they do not provide wiring to houses and businesses.

However, the ruling did impose restrictions on local telephone groups' adventures in cable. Although the companies are allowed to establish facilities for video signals, they are so far forbidden from sending videos down those lines. Even so, the ruling was enough to rile the cable and long-distance sectors.

"It's very possible that local telephone customers will end up paying higher rates to finance a new video infrastructure," says Lisa Meredith, spokesperson for the National Cable Association.

But the FCC and local telephone groups insist federal and state scrutiny of rates will prevent this from happening.

The Rochester telephone company, re-named Frontier earlier this year, will soon become the first to face competition in its market. In January, Time Warner will offer residents in the up-state New York region an alternative service. The success of that experiment will probably help determine the speed with which cable companies gain access to other areas. Most states now guarantee a monopoly for the Baby Bell groups which split off from AT&T in the 1980s. Cable wires are generally set up to send one-way signals to households, and are not easily adaptable to two-way telephone signals. Time Warner will try to resolve the problem in Rochester by putting a telephone box to convert the signals next to the cable box in customers' homes. The new Sprint, TCI, Cox and Comcast venture will try a more direct route, aiming to provide a wireless service to consumers.

The sudden burst of activity in the cable-telephone cross-over has sparked renewed calls for sweeping Congressional legislation.

"This cannot and should not be settled on a case-by-case basis, depending on what individual states decide," says Donna Lampert, special counsel for legislation and policy at the FCC. "We need comprehensive federal legislation."

The FCC, for its part, can only interpret existing laws governing the sector. A nearly successful push for a telephone-cable bill was squashed by the local telephone companies earlier this year and observers are sceptical that the 1996 Congressional session will produce any new legislation on the issue. Meantime, telephone and cable companies will continue to test the limits of their involvement in each other's business.

Where Packard Bell has the PC edge

Alan Cane on why the Californian company has been so successful in the multimedia revolution

While the battle between International Business Machines and Compaq for leadership of the personal computer business has been hogging the limelight, a hitherto little-known player is threatening to upstage the giants of the multimedia industry.

Packard Bell Electronics, a privately-held Californian PC manufacturer which sells exclusively to home users through retail outlets, crept past IBM in the first six months of this year to take third place, after Compaq and Apple Computer, in the US PC market, and is now fourth - after Compaq, Apple and IBM - in the worldwide market. Its projected 1994 sales are \$2.5bn and should be close to \$3bn next year, says Beny Alagim, its chief executive.

The significance of that rate of progress should not be underestimated. Compaq, Apple and IBM are the "premier league" PC makers, pioneers of the industry and owners of the most prestigious brand names in the business. But who goes out purposely to buy a Packard Bell?

Packard Bell Electronics was founded in 1986 as a radio manufacturer and has no connection to Hewlett Packard, the US electronics giant, or to the Bell telecommunications companies. Nevertheless, it seems to have got two elements of the



Beny Alagim: sales should be close to \$3bn next year

multimedia revolution right.

First, multimedia services are likely to be delivered to the home through PCs rather than TV sets. A report this week on multimedia in European homes from the research company Inteco notes: "One of the most striking conclusions to be drawn up is that the PC rather than the TV set will be the likely focus for multimedia services in the home..."

whole range of multimedia-related equipment and activities are concentrated in the same type of households, and PC buying is concentrated in these same busy households. This year, as many computers will be sold for use in the home in the US as for use in business, Packard Bell has a 41 per cent share of mass retail sales in the US, ahead of IBM (33 per cent) and Apple (9 per

cent). The implication is that in the US, at any rate, multimedia services are more likely than not to be delivered to the home on Packard Bell machines.

The company's own corporate goals include "making the PC the centrepiece of the home", "implementing the most efficient manufacturing model in the industry so every one can afford a PC" and "having at least one Packard Bell PC in every home".

Second, ease of use and maintenance is a critical factor in the home market. Even IBM has been forced to this conclusion. "The PC industry has done a brilliant job of innovation and technology," said G. Richard Thoman, head of IBM's PC operations, last month, when introducing a new, simplified PC range. "But in the process we have lost touch with the majority of customers who are all dazed and confused by the complexity in the technology, the array of choices, and the level of support."

Packard Bell claims to have been the first manufacturer to sell systems complete with a hard disc and pre-loaded software, and the first manufacturer to build in a CD-Rom drive, creating a multimedia packaged system. It also claims to be the first PC manufacturer to introduce on-site maintenance to the home.

It calls its latest family of

systems "home appliances". Packaged in a single cabinet is a multimedia PC which doubles as a compact disc player, a stereo system, a TV and video player, a telephone-answering system and facsimile machine, complete with modem for attachment to the telephone network. All this for between \$1,499 and \$1,599.

The Packard Bell machines are designed to look good in the home. But more important is Navigator software developed by Packard Bell to make using its computers easier. Navigator is based on pictures and operates by interacting with Windows, Microsoft's graphical interface. Beny Alagim makes it clear, however, that although users need never go into Windows, Navigator is not a replacement for the Microsoft product.

According to Alagim, the relationship is working well. The company is opening a new manufacturing facility at Angers in France, where Bull makes printed circuit boards and other PC components.

Nobody can say with certainty that Packard Bell's future is assured. Many companies in the PC business have experienced false dawns. And the home market is quickly and unpredictably changing. But what Packard Bell has achieved so far suggests that as multimedia expands into the home, a Packard Bell machine is likely to be at the end of the information superhighway.

There are various ways to use Navigator. One method starts with a view of a hallway with rooms leading off it. As the cursor is passed over the doorways, the rooms are illuminated as if a light has been turned on. The rooms represent the learning centre full of tutorials and demonstrations; the workbench, a management system for applications and documents; a software area for all the programs available; and a suite of games called Kid-space. Next year the company will offer special software that

makes it simple for home users to log on to the Internet, the world's largest computer network.

Before its leap into the top tier of PC makers, Packard Bell attracted attention through a deal last year with Groupe Bull, the French government-owned computer manufacturer struggling to return to profitability after several years of losses. The French company took a 30 per cent stake in Packard Bell to seal an accord through which the US company would have access to Bull's PC technology, while Bull would have the benefit of Packard Bell's experience in selling in volume through low-cost retail channels (Groupe Bull's PC arm, Zenith Data Systems, was a pioneer in portable computing).

According to Alagim, the relationship is working well. The company is opening a new manufacturing facility at Angers in France, where Bull makes printed circuit boards and other PC components.

Nobody can say with certainty that Packard Bell's future is assured. Many companies in the PC business have experienced false dawns. And the home market is quickly and unpredictably changing. But what Packard Bell has achieved so far suggests that as multimedia expands into the home, a Packard Bell machine is likely to be at the end of the information superhighway.

ARCHITECTURE

David and the car goliath

Colin Amery outlines Florentine designs for a second renaissance

When I think of Florence, I still think of the Flood. On November 4, 1966 the River Arno burst its banks and threatened - indeed destroyed - some of the finest art treasures and buildings of the Italian Renaissance.

In recent years Florence has been threatened and damaged by less obvious but equally damaging floods, those of cars and tourists. Any summer visitor to the city will know that it is now impossible to see through the barricade of back-packs and shorts to the pictures on the walls of the Uffizi gallery. It is impossible to penetrate the city centre by car during the day, and there is no chance of a photograph of a Florentine architectural masterpiece without a foreground of massed cars.

However, in London at present you can see exactly what the authorities of Florence are planning to do for their troubled city in the next decade. Their plans are on show at the Italian Institute in Belgrave Square until November 25 (Mondays to Fridays, 10am-5pm).

The problems of Florence are common to many historic towns and cities of Europe, and it seems fitting to look to the city that produced Dante, Giotto, Michelangelo, Leonardo, Galileo and Brunelleschi to see if it can now produce the right answers for the 21st century.

For a start there is honesty in the admission of the Florentine authorities that the last 30 years have been ones of inactivity, indecision and interminable fighting between the city centre, the shopkeepers, the hotel owners and the ill-planned suburbs. This constant struggle has been enlivened by the daily arrival of 80,000 cars, as well as the annual arrival of 7m tourists.

When he spoke in London last week, Alfredo Franchini, Florence's councillor for urban planning, announced the city's approval of a completely new master-plan, produced by Marcello Vittorini. Franchini showed a touching faith in rationalism and in planning itself. But it is important to realise that the master-plan is not a ruthless grid of geometry thrown over a dying city. In



Florence: Krier's work revives the city's architectural and planning traditions

fact, studied carefully, the Vittorini plan is a gentle adoption of many of the qualities that have made cities work in the past.

He appears to believe, thank heaven, in the value of mixed development.

All the best cities in the world are an effective mix of homes, workplaces and cultural and leisure activities. The idea of strict zoning has long been discredited.

Urban qualities are hard to define, but we recognise them when we see them. With its remarkable skyline and carefully controlled scale within the surrounding hills, the centre of Florence both works and is beautiful.

But it has a declining population. Only 400,000 people live in the centre, and the prediction is that numbers will continue to decline. The problem is to make historic centres attractive to residents as well as to tourists.

embarked on the expensive but necessary provision of underground car parks.

The most significant changes in the city are likely to be in an area largely owned by Fiat, known as Novoli, to the north-west of the historic centre. Under the master-plan it is proposed to devote many of the city's essential services - town halls, libraries, smaller museums, banks and sports centres - to five new "boroughs". Novoli will be one of these, and the fact that a large part of it is in the single ownership of Fiat - it was once a large components factory - has eased the planning process.

The Fiat-Novoli plan has been prepared by the influential urbanist Leon Krier, who has planned a large area, about 1,000 acres, dividing it into 14 urban sections. Each of these sections will feature a rich mixture of uses, and will regenerate in an imaginative way the run-down high-rise housing and demolition of the disastrous detritus of the 1960s.

As the centrepiece of the redevelopment, the plans show a 30-acre park and some 90 acres of new buildings. Wisely it includes major new public buildings for the university and the courts of justice.

Krier's work for Florence,

which the city authorities believe has a touch of genius about it, revives the architectural and planning traditions of Florence, for each of the 14 sections will have a central piazza. The ground and first floors of all new buildings will be given over to shops and commercial uses, and residential premises will be on the upper floors.

Comprehensive building codes set out the guidelines for the city. No ordinary buildings should be higher than four storeys, and the use of stone is to be encouraged for the ground floors and for the entire facades of the more monumental public buildings.

Fiat is an enlightened client, and it has instructed the Turin-based architects Gabetti and Isola to turn the plan and the codes into real buildings. There is a sense of excitement and creativity about these plans, and they have won international support. If they are followed comprehensively there is a real chance that Florence will achieve a second renaissance that will make it a city for the 21st century that respects its finest architectural traditions. Once again Florence has become a city to watch.

● The Accademia Italiana has organised a public conference on the Florence plan in London on November 22. Tickets and details, tel: 071-235 0303.



SPOT THE REFUGEE

There he is. Fourth row, second from the left. The one with the moustache. Obvious really.

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PEOPLE

More rooms at the Inns

As the world's biggest hotel company continues its breakneck expansion, president Michael Leven tells Michael Skapinker that he will match quality to quantity

When Michael Leven joined Holiday Inn in 1980, he engaged the services of an Atlanta-based British woman who teaches Americans how to deal with UK companies.

Holiday Inn had recently been taken over by Bass, the UK brewer, and Leven, who grew up in Boston, was worried about committing some indiscretion. "Americans are scared to death of doing the wrong thing," he says.

His memories of what the consultant taught him are hazy. But whatever it was, it seems to have worked. Earlier this month, Leven, 50, was promoted from head of the Americas division to president and chief operating officer of Holiday Inn Worldwide, giving him responsibility for the day-to-day running of the world's biggest hotel company.

Over the past two years, Holiday Inn, which has more than 1,900 hotels, has been opening new properties at the rate of one every two days. It plans to have 3,000 by the end of 1998.

Much of the expansion will be abroad. Hotels outside the Americas currently provide Holiday Inn with 10 per cent of its profits, but Leven wants to see that rise to 33 per cent over the next four years.

His anxiety about running an international, UK-owned business has disappeared, although he has made some adjustments to style. One of the things he does remember his consultant telling him was that UK companies were more formal than American ones.

"She said that I had to remember that most British business people think that Americans shoot from the hip. She was right. That was very helpful. When I wanted to do something I made sure I had all the documentation."

Leven says Bass has become less formal in the four years he has been there. In the beginning, however, he was struck by the manner in which Bryan Langton, Holiday Inn's British chairman and chief executive, conducted meetings.



Langton began by noting the apologies, a procedure which was new to Leven. He says: "In the States, if a guy doesn't show up, he doesn't show up."

Other than that, he thinks the problems of working across national boundaries have been exaggerated. "People have made doing business internationally into a mystique. It's easy when things aren't going right to make the excuse that it's because the people are different. Oftentimes, things don't go right when people aren't different."

Everyone, he says, has been asking how he and Langton, who remains chairman and chief executive, are going to divide duties between them. Bass says Langton, 57, will focus on strategic issues, while Leven takes responsibility for hotel operations and sales.

Leven says that companies often want their two top executives to have different skills: for one to be strong in finance, for example, and the other in marketing. In the case of Langton and Leven this is not so. They have similar back-

grounds having specialised in the operational side of the business. And their personalities are not dissimilar; both are accomplished raconteurs.

Leven says: "It's not the usual balance between the chief executive officer and the chief operating officer. But the real advantage I have working with Bryan is that he understands Bass and how to move through it."

Before joining Holiday Inn, Leven spent five years as president of the US chain Days Inn. He has spent his entire working life in the hotel industry, except for nine months in the late 1960s when he was employed at the Practising Law Institute in New York.

His job there was to make hotel bookings for the institute's meetings. He was appalled by what he saw. "I got to understand what a hotel was like from the customer's point of view. I learned how badly customers were treated."

Leven has also had a taste of life as a Holiday Inn franchise holder. While he was working as head of operations for a

company which ran a Holiday Inn under a franchise agreement, there was a disagreement on how much to spend on refurbishing a hotel. Leven suffered the indignity of being thrown out of the system.

It is something he has done to many other hotel owners since. The company only owns about 10 per cent of the hotels that carry its name. The rest are run by franchise-holders. Bass found that many were run down, particularly in the US, and that the Holiday Inn name had been badly damaged as a result.

Veterans in the company found it difficult to accept that this had happened. Holiday Inn had been launched in 1952 with the specific intention of providing travellers with a guaranteed level of quality and no unpleasant surprises. Kemmons Wilson, its founder, built the first Holiday Inn in Memphis, Tennessee, after deciding that there had to be something better than the appalling hotels he had encountered on his travels round the US.

Langton moved the company's headquarters from Memphis to Atlanta and cut headquarters staff from 2,450 to 1,000.

Leven's first job at Holiday Inn was to raise the franchised hotels' standards. It is a task he says is not yet complete. "I am not happy with a piece of the chain where the quality and service standards are still behind what they should be," he says.

Leven estimates that about 15 per cent of Holiday Inns in the Americas still have unsatisfactory standards. He would be happier if the figure fell to 5 per cent - which he says should happen by the beginning of 1997.

He insists, however, that much has been done to rescue the name since the Bass takeover. Of the 1,600 Holiday Inns in the Americas, almost 1,000 have been fully refurbished.

But how will Holiday Inn maintain standards if it expands as rapidly as it says it will? Over the past two years, the company has signed joint venture agreements with local partners to open 30 hotels in Indonesia, 47 in Thailand, 70 in India and 11 in Nepal.

It will also manage two luxury cruise ships in China. Over the next five years, franchisees and joint venture partners will build 60 hotels in Europe. Leven says: "We don't have quality problems with the hotels we open. It's the older ones that have problems."

The question that intrigues analysts in the leisure industry is whether, if the expansion goes smoothly, Leven's reward will be the chairmanship when Langton retires.

But the difficulty here is that executive directors on the Bass board have to leave at 60; though US Holiday Inn employees can continue until 65, Leven is only a year younger than Langton and would be near the board age limit when Langton retires.

Bass insists that nothing should be read into Leven's promotion except that he has a job to do. Leven concedes that if he fails to meet Holiday Inn's targets, that sort of conjecture would be irrelevant anyway.



Cosmopolitan adviser at Daimler

All change at Daimler-Benz, Germany's largest company, where Edzard Reuter steps down next May to be supplanted as chief executive by the boss of the aerospace division Jürgen Schrempp, writes Katharine Campbell. As Schrempp assembles his own, younger, team, the chief financial officer, 63-year-old Gerhard Liener, moves off the board in order to become the new broom's principal adviser on international affairs.

The assignment is not inappropriate for the man once tipped to run the colossus himself. His role in teaching the local Swabians to think internationally has been seminal. The product himself of a solidly international background, Liener (below) studied extensively outside Germany, lived in Chile in the early 1960s before he joined Daimler, and has travelled very widely since. He is, for instance, honorary Mexican consul for the State of Baden-Württemberg.

The brains behind the co-operation with Mitsubishi, and fluent in English, Spanish and French, he masterminded last year's New York Stock Exchange listing. He is also the progenitor in the last couple of



years of the company's move towards global sourcing.

Now that Liener is relegated to an advisory role, however, who will pipe up at board level to ensure the company continues its fight against provincialism? Instead of looking outside, perhaps for a non-German, the supervisory board is expected to confirm in the position Manfred Gentz, a 42-year-old lawyer who has spent his working life at Daimler in seemingly solidly domestic jobs. While he has run Daimler's service and computer software subsidiary, for the past four years, the company is unfortunately on the subject of Gentz's linguistic abilities.

No firing over Japan's smoke?

If heads are to roll because of the fire last week of the Japan Tobacco flotation, then Jiro Saito, vice minister of the Ministry of Finance, is vulnerable. Regarded as the ultimate ministry of finance bureaucrat - shrewd and arrogant backed by astuteness and power - Saito is not known for apologising, writes Emiko Terazono.

All he has said is that he regrets the fire. The flotation turned out. However, that may not be enough to mollify Japanese brokers unhappy over its handling at a time when average daily trading volume on the Tokyo stock market remains below 300m shares. With demand for stocks still fragile, they feared that extra supply would depress investor confidence.

Saito has also come in for criticism over the method used for pricing the public offering. Rather than going through the "book building" process used in other leading financial markets, the ministry of finance offered the stock at the mid price of a pre-offer auction. Both Japanese and foreign brokerages felt frustrated; they could see the ministry ignoring their claims that the flaws of the method echoed those in the last year's failed privatisation of the East Japan Railway.

Saito says that his ministry would "humbly listen to opinions from the outside" about future privatisations. This sort of statement may be enough to curb calls for his head. But if UK and North American investors had seen the value of their investment

drop by 23.5 per cent in its first day's trading, they would not have let the man from the ministry get off so lightly.

ISS goes for a local clean-up

ISS International Service Systems, the Danish office cleaning group, has hired a local man to head its North American division, the market leader in the US cleaning business, writes Hilary Barnes.

Dennis Spina, 50, president and chief executive of Suburban Propane, the second largest retail distributor of propane gas in the US, has replaced Henrik Slipsager. Slipsager quit after he was passed over this summer in the battle to succeed the group's veteran chief executive, Poul Andreassen, when he retires in 1996.

Spina's arrival at ISS coincides with the Danish firm's decision to get its shares listed on the New York Stock Exchange and raise \$80m of new capital. ISS's profits have grown rapidly over the past four years and North America now accounts for 44 per cent of the group's revenues. Roughly 45,000 of ISS's 120,000 employees are based in North America.

Suburban Propane is part of Hazcon Industries which acquired it when the UK conglomerate took over Quantum Chemical in September 1993. Spina is being replaced by the group's chief financial officer Salvatore Quadrino. Quadrino, 47, will be based in Whippany, New Jersey.

William Crosby, 73, one of the grand old men of the US life insurance industry, is stepping down after 27 years as chief executive of US Life, the New York-based insurance company which has \$132m of life insurance in force. Crosby, who entered the life insurance industry immediately after he was discharged from the US Navy, started in business as an insurance agent in Tennessee before moving to New York where he helped set up the state's first life company.

William Simpson, 55, who was chief operating officer of Transamerica Occidental Life before he joined US Life in 1990, takes over as chief executive on January 1. Crosby will continue as chairman of the board and the executive committee.

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ARTS

BARBICAN, LONDON

The first theatrical performance of the "Everybody's Shakespeare" season opens on Wednesday when the Dusseldorf Schauspielhaus brings Karin Beier's controversial staging of "Romeo and Juliet" (right) to the main Barbican Theatre. Downstairs in the Pit, the director John Barton leads a week of performance of "The Language of Shakespeare".

MUNICH

A year after Peter Jonas's arrival as intendant, the English invasion of the Bavarian State Opera continues with a new production of Mozart's "Don Giovanni", opening tonight. It is conducted by Colin Davis, staged by Nicholas Hytner and designed by Bob Crowley, with a cast including William Shimell and Alison Hagley.

ROYAL COURT, LONDON

Stephen Daldry, director of the acclaimed current West End staging of *An Inspector Calls*, tackles a new play for the first time this week. The Editing Process, by Meredith Oakes, deals with the publishing industry. The first night is on Wednesday.

LONDON SOUTH BANK

The most modern jazz, leavened by dry humour and sprinkled with quirky quotations from all manner of Americana, is guitarist Bill Friel's stock in trade. At the Queen Elizabeth Hall on Wednesday he applies himself to the live accompaniment of classic Buster Keaton silents in what should be a treat for fans of either or both. The Go West tour continues to Belgium, Italy and Germany.

SAINT-ETIENNE

Admirers of French composer Jules Massenet will be flocking to the city of his birth on Friday for a rare staging of "Pavane", his Rabelais-inspired operatic comedy. It forms the centrepiece of this year's Massenet Festival, which also includes performances of the Cid, recitals by young French singers and a special Massenet exhibition. The driving force behind the festival is the conductor Patrick Fournillier (right).

COVENT GARDEN, LONDON

The Royal Ballet season begins on Thursday with the first London showing of the company's new production of "The Sleeping Beauty".

OPENINGS

The truth behind Wonderland

Jackie Wullschlager explores the dark side of Lewis Carroll as a new play opens in London

A hundred years ago, an Oxford don asked a mother if he might photograph her three daughters. "What I like best of all," he wrote, "is to have two hours of leisure time before me, one child to photograph and no restrictions as to costume... I trust you will let me do some pictures of Janet naked (but, if the worst comes to the worst, and you won't concede any nudities, I think you ought to allow all three to be done in bathing drawers, to make up for my disappointment!)." This was Lewis Carroll, a respected academic, addressing the prim wife of another Oxford fellow.

Was the famous children's writer a Victorian innocent, or was he a 19th-century Humbert Humbert, driven by forbidden desires, drawing the guileless into his web? Tomorrow, *Alice's Adventures Under Ground*, a new play about the darker side of the great storyteller, opens at the National Theatre. Written by Christopher Hampton, author of the successful 1980s drama *Les Liaisons Dangereuses*, and directed by the radical choreographer Martha Clarke, it is based on intimate letters and diaries and fixes on Carroll's own dangerous liaisons with little girls.

This is the most sensational aspect of Carroll's life. Biographers have always fought shy of it, while passages in Carroll's diary cast light on the troubled side of such friendships were altered or torn out after his death. But it is an issue which not only lies at the heart of the creation of the *Alice* books. It also raises topical questions about what makes adults write children's books at all, and about how adult fantasies mould a society's vision of childhood, and so condition children's rights and lives.

Carroll grew up in the 1830s, when the Victorian cult of childhood was beginning to grip the nation. It was an English phenomenon - compare the smug innocence of Dickens's girl heroines, or Tess of the *d'Urbervilles*, or Little Buttercup with their worldly European counterparts like Madame Bovary, Anna Karenina, Carmen - and it was rooted in Victorian repression of sex.

This made pre-sexual girls an obvious focus. Many famous Victorians fell for them - Ruskin wrote love letters to a nine-year-old, the

vicar-diarist Francis Kilvert rhapsodised about girlish thighs and buttocks, and Lewis Carroll was fixated with little Alice Liddell.

In our post-Freudian age, the sexual undercurrents seem blatant and these friendships unhealthy. The truth was more ambiguous. A man like Carroll loved children instead of women because they were safely pure and thus sexually undemanding. He found in them a focus for emotional satisfaction which never threatened his ideal of chastity. His love probably had something of the sexual frisson of a schoolgirl crush; it fuelled the imagination but was never meant to be realised.

Carroll turned his obsession into a new form of literature. For Alice Liddell, he wrote *Alice's Adventures in Wonderland*, and gave it to her for Christmas 1865. It was a hit in the nursery because it was funny, amoral and dismissive of adults. It was a hit with parents because it recreated the lost imagination of childhood. These two features made it the first children's classic. Its mix of subversion and nostalgia has shaped every children's book written since.

Carroll was a stuttering bachelor mathematician whom a buttoned-up society pushed into real eccentricity. He was thin as a stick and stiff as a poker, he said, and also little, and listed his faults as "indulging in sleep in the evening". He fled instantly from any gathering where his children's books were mentioned, yet spent several weeks a year on the beach at Eastbourne, carrying a supply of safety pins with which to persuade pre-pubescent girls to hitch up their skirts and paddle in the sea.

Carroll disciplined his emotional self into non-existence, then poured his vengeful frustration into fantasy. The *Alice* books, where an untouchable little girl keeps aloof from the threats of sensuous, violent, uncontrollable figures like the Queen of Hearts and the Mad Hatter, depend on a distaste for sexuality. The dream of the Wonderland garden suggests a guilt-free Eden before the Fall.

After Carroll, these echoes began to sound through children's books and give the genre its mythic, lasting appeal. By the 1950s Freudian undertones came close to the surface. Peter Pan is about the triumph



Alice Liddell photographed by Lewis Carroll: a celebration of Victorian innocence or forbidden desires?

of a sexless boy over the masculine, virtuous Captain Hook, marked by the phallic symbols of twirling iron hook and lat cigar. Barrie, too, liked children, not women; his marriage was unconsummated and his Neverland, where no one grows up, is another prelapsarian wonderland. So is the riverbank of *The Wind in the Willows*. Kenneth Grahame told president Roosevelt that the book was "clean of the clash of sex".

By the 1950s, the cult of children was being replaced by the cult of adolescence, but Carroll's Victorian idealisation of childhood still held sway. A novel like *Lolita* is a teenage descendant of *Alice* in the aura of innocence surrounding the

abused heroine, in the surreal wonderland of American highways and motels, in Nabokov's .

After the Bible and Shakespeare, Carroll is the most quoted author in English. His letters to little girls are little-known, but their liquid flow of emotion and bawdier sentiment - "I send you seven kisses, to last a week", "Haven't I a right to be affectionate if I like?" - complement the rigour of *Alice*. They suggest the link between adult fantasies and fears, and great children's writing.

Martha Clarke has long specialised in evoking the world of fantasy, and theatre, which can more effectively win sympathy for different perspectives, is perhaps a better

place than biography to explore this touchy side to Carroll's story.

In *Les Liaisons Dangereuses*, Hampton staged a historical reconstruction which also reflected the pleasure-seeking, 18th-century me-generation. *Alice's Adventures Under Ground* - Carroll's original title, rejected because it sounded like "a lesson book about mines" - is just right for the self-doubting, child-obsessed, politically correct 1990s. It should provoke, as *Liaisons* did, literary, historical and social debate.

*Jackie Wullschlager's book "Inventing Wonderland", about the life of Lewis Carroll and Kenneth Grahame, will be published by Methuen next spring.

Opera / Roméo et Juliette

A night off for the intellect

Writing in this paper the week before last, the Director of the Royal Opera put up a spirited defence of the company's new *Ring* cycle. Among his arguments was the need for variety in a healthy opera company, the immediate instance at Covent Garden being the juxtaposition of that *Ring* with an imminent new production of *Roméo et Juliette*.

The Gounod has now arrived. And different it certainly is. Whereas the *Ring* set minds whirling on a wild roundabout of ideas, rousing its audiences to cheers of enthusiasm and outraged booing, this miserable, unimaginative production of a far from probing opera gives the thinking opera-goer's intellect the night off. To spend time and money on this *Roméo et Juliette* one needs a good reason and the Royal Opera - fortunately - musters two.

They are a Romeo and a Juliet who look as if they were born to play their roles. A wicked photo in the programme reminds us of how things used to be, capturing Gounod's original Juliet, Marie Caroline Carvalho, looking portly and trumphet, "posing a problem for the corset manufacturers" as the caption naughtily describes her. At a time when even politicians are expected to have telegraphic appeal, that is clearly no longer good enough. Today's Romeo is the young and personable Roberto Alagna, who made such a fine impression in *La Bohème* two years ago.

For a tenor born in France of Sicilian parents, this opera, combining a passionate Italian love story with music of Gallic elegance, would seem to be the ideal choice. Alagna declares his challenge to Tybalt with steel in the voice, and wraps his farewell to Juliet softly in whispers. Forceful but tender, his Romeo is a vivid personality vocally, even if his acting is vague.

At the balcony window he is answered by the touchingly fragile, dark-eyed Juliet of Leontina Vedula. As we know from her previous appearances at Covent Garden, Vedula is a singer who paces herself carefully. This means that the early scenes are tentatively sung, the famous Waltz Song, beloved by Melba, barely getting into its stride. But taking Friar Laurence's potent stimulants cast to give more from there to the end - a stylish performance, if less securely in her voice than the recent Manon.

It is fortunate that they make the balcony scene so believable, as neither Gounod nor the production does much to help. Turning Shakespeare into opera is work for a genius, as the only two indisputable successes (both of them by Verdi) show.

It is almost painful to think back to the poetry that Shakespeare puts

into Romeo's mouth as he gazes up at Juliet and then compare that to Gounod's prosaic music, which turns a literary marvel into workaday crotchets and quavers.

Interviewed on television last week about his new opera at Glyndebourne, Harrison Birtwistle said he did not believe in just setting a story to music. In *Roméo et Juliette*, Gounod offers some memorable numbers - the two well-known arias and the Act 4 sunrise duet - but they are purple passages in an opera which takes simply telling the story as its highest objective.

All of Shakespeare's main characters are here. Sarah Walker manages to suggest something of the Nurse's fussiness, though Gounod leaves little of her character intact. Despite having to wear a tongsure that looks like a tea cosy, Robert Lloyd has the quietly-spoken authority for Friar Laurence. Anna

Whichever way one looks at the set - as colour, as shape, as acting space - it is devoid of imagination and atmosphere

Maria Panzarella makes a bright interlude of her little scene as Stéphano. François le Roux's Mercutio, elegant and dynamic, is in his vocal prime and, Paul Charles Clarke makes a fearsome Tybalt. The fight scenes have splendid dash under Charles Mackerras, who remains as vivid an opera conductor in all repertoires as ever. As for the production, what can one say? When English National Opera put on *Roméo et Juliette* they cannibalised an old set for Britten's Queen Elizabeth I opera, *Gloriana* (right for Shakespeare, if not 14th-century Verona). But even that looked better than what the Royal Opera has acquired here. A few building blocks, miserably lit, have to serve as monastery, palace and piazza. Whichever way one looks at them - as colour, as shape, as acting space - they are devoid of imagination and atmosphere.

This non-production, by producer Nicolas Joël and designer Carlo Tommasi, originated in Toulouse. At a time when the UK still has a trade deficit with France, it was hardly a sensible import.

Richard Fairman

Production sponsored by Goldman Sachs. Performance continues until November 17

INTERNATIONAL ARTS GUIDE

BERLIN

OPERA/DANCE
Staatsoper unter den Linden The main event this week is the first night on Sat of the new Daniel Barenboim-Harry Kupfer production of *Siegfried*, with cast headed by Siegfried Jerusalem, Falk Struckmann, Graham Clark and Deborah Polaski (repeated Nov 9, 18 and 20). Repertory also includes Telemann's *Orpheus* and *Tosca* starring Suzanne Murphy, Sergei Larin and Sherrill Milnes. René Jacobs conducts the Akademie für Alte Musik and RIAS Chamber Chorus in tomorrow's concert devoted to Bach cantatas (200 4782/2035 4484). Deutsche Oper Hermann Prey gives a song recital on Wed. Repertory over the following 10 days includes a Balanchine evening, *Alceste*, Der fliegende Holländer and *Die Zauberflöte*. A new production of Poulenc's *Dialogues des Carmélites* opens on Nov 12 (041 0249).

CONCERTS
Philharmonie Tomorrow and Wed: Glenn Miller Orchestra. Tomorrow

(Kammermusiksaal): Freiburg Baroque Orchestra plays Bach and Vivaldi. Sat: Haydn's Creation. Next Mon: Daniel Barenboim conducts chamber version of Mahler's *Das Lied von der Erde*. The next Berlin Philharmonic concert is on Nov 9, 10 and 11 (2548 8132). Schauspielhaus Thurs: Estonian Philharmonic Chamber Chorus in music by Pärt, Kolkonen and Ligeti. Fri: Pavarotti conducts Berlin Radio Orchestra and Chorus in symphonies by Tchaikovsky and Sibelius. Sat: Andras Ligeti conducts Berlin Symphony Orchestra in Bartók, Tárner, Kurtág and Sibelius (2090 2159).

NEW YORK

THEATRE
● Uncommon Women And Others: a revival of Wendy Wasserstein's play about friends at a small New England women's college, who meet for tea and then for a reunion six years later. Just opened (Lucille Lortel, 121 Christopher St, 239 6200).
● Three Tall Women: a poetic play by Edward Albee, dominated by the huge performance of Myra Carter. She, Jordan Baker and the droll Marian Saldes represent three generations of women trying to sort out their pasts (Promenade, 2162 Broadway at 78th St, 239 6200).
● Angels in America: Tony Kushner's two-part epic conjures a vision of America at the edge of disaster. Part one is *Millennium Approaches*, part two *Perestroika*, played on separate evenings (Walter Kerr, 219 West 48th St, 239 6200).
● A Cheever Evening: A.R. Gurney's play intertwines elements

from 18 stories by John Cheever to create a new work, paying homage to one of his influences while showing Cheever's work in a new light (Playwrights Horizons, 416 West 42nd St, 279 4200).
● An Inspector Calls: J.B. Priestley's 1945 mystery in a stunning re-interpretation by Stephen Daldry, first seen at Britain's National Theatre (Rouge, 242 West 45th St, 239 6200).
● Show Boat: Harold Prince's new production of the 1927 Jerome Kern/Oscar Hammerstein musical is the first show on Broadway to cost \$75 a ticket. It is a huge hit which will run and run - but in her FT review, Karen Fricker said that despite its musical excellence, the production was emotionally empty (Gershwin, 51st St west of Broadway, 307 4100).
● Jelly Roll: Vernel Bagneris stars in a musical show about jazz legend Jelly Roll Morton (47th Street Theatre, 304 West 47th St, 265 1088).
● Guys and Dolls: a top-notch revival of the 1950 musical about the gangsters, gamblers and good-time girls around Times Square (Martin Beck, 302 West 45th St, 239 6200).
● Carousel: Nicholas Hytner's bold, beautiful National Theatre production from London launches the 1945 Rodgers and Hammerstein musical towards the 21st century (Vivian Beaumont, 150 West 65th St, 239 6200).
● Kiss of the Spider Woman: pop star and ex-Miss America Vanessa Williams has taken over the title role in the long-running Kander and Ebb musical directed by Harold Prince (Broadhurst, 235 West 44th St, 239 6200).

● Blood Brothers: Willy Russell's musical about twins who, separated at birth, eventually meet and fall in love with the same girl. The cast includes Carol King (Music Box, 239 West 45th St, 238 6200).
● Stomp: a loud, aggressive and energetic show in which a troupe of performers dance, clap and generally bang on everything in sight. Far more engaging than you might expect (Orpheum, 126 Second Ave between 6th and 7th Streets, 307 4100).
● OPERA
Metropolitan Opera This week's repertory consists of *Tosca* tonight and Fri with Ghena Dimitrova and Luciano Pavarotti, *La nozze di Figaro* tomorrow and Sat with Bryn Terfel and Dawn Upshaw, Cav and Pag on Wed with Vladimir Atlantov as Canio, and *Arabella* on Thurs with Kiri Te Kanawa and Marie McLaughlin. The first new production of the season is Shostakovich's *Lady Macbeth of Mtsensk*, opening Nov 10 (362 6000).
States Theater New York City Opera's autumn season runs till Nov 20. This week's performances, daily from Wed till Sun, feature *La bohème*, *Mefistofele*, *Il barbiere di Siviglia* and *Die Zauberflöte* (870 5570).
DANCE
New York City Ballet's winter season runs from Nov 22 to Feb 26 at New York State Theater. The opening night gala will be followed by a week of repertory performances. (307 4100/870 5570).
CONCERTS
Carnegie Hall Rafael Frühbeck de Burgos conducts the Vienna Symphony Orchestra tonight in

works by Webern, Beethoven and Brahms, with piano soloist Rudolf Buchbinder. Alicia de Larrocha gives a piano recital on Wed (247 7800).
Avery Fisher Hall This week's New York Philharmonic concert is conducted by Leonard Slatkin and Charles Dutoit. In tomorrow's programme, Slatkin conducts Kernis, Dvorak and Strauss, with violin soloist Pamela Frank. On Thurs, Fri, Sat and next Tues, Dutoit conducts Prokofiev, Ravel and Respighi, with violin soloist Glenn Dicterow (875 5030).
Alice Tully Hall The Borodin Quartet's cycle of Shostakovich string quartets continues on Nov 2, 13, 15 and 20 (875 5050).
JAZZ/CABARET
Algonquin Hotel Weillia Whitfield brings her droll wit and agile voice to bear on two shows, including songs by Rodgers and Berlin (59 West 44th St, 840 8800).
Cafe Carlyle The Incomparable Bobby Short continues to hone respectful but incisive takes on every standard under the sun (35 East 78th St, 570 7188).
Miles's Pub Singer Hadda Brooks celebrates her first album in 40 years Tues-Sat, while Woody Allen's Ragtime Orchestra holds forth as usual on Mon (211 East 55th St, 758 2272).

PARIS

DANCE
● The opening production of the Paris Opéra Ballet's 1994-5 season can be seen at the Bastille tonight, tomorrow, Fri and Sun afternoon (continuing till Nov 17). It consists of a Balanchine-Robbins programme preceded by a grand spectacle with

the entire company (4742 5371).
● The Kirov Ballet gives six performances between Wed and next Mon at Théâtre des Champs-Élysées. The programme consists of Coppélia and The Fountain of Bakhchisarai (guest soloist Sylvia Guillem). The Kirov Opera follows from Nov 23 to Dec 11 (4952 5050).
● Trisha Brown Dance Company opens a 10-day residency on Thurs at Théâtre de la Villa (4274 2277).
OPERA
● The first of two cycles of the new *Ring* production at the Châtelet begins tonight. The conductor is Jeffrey Tate, the producer Pierre Strosser, and the cast includes Robert Hale, Gabriela Schnaut, Heinz Kruse and Kurt Rydl. The second cycle begins on Nov 8 (4028 2840).
● The next opera at the Bastille is a revival of *Le nozze di Figaro*, opening on Sat and running till Dec 4. Ivan Fischer conducts a cast headed by Hakan Hagegard, Lella Cuberti, Andrea Rost and Ferruccio Furlanetto (4473 1300).
CONCERTS
Salle Pleyel Itzhak Perlman plays the Tchaikovsky Violin Concerto on Wed and Thurs with the Orchestre de Paris conducted by Semyon Bychkov (4583 0796).
Bastille William Christie conducts Les Arts Florissants in a Purcell concert on Sun (4473 1300).
JAZZ/CABARET
American soul singer Mighty Sam McClain is in residence this week and next at Lionel Hampton Jazz Club. Music daily from 10.30pm to 02.00am (Hotel Meridien Paris Etoile, 81 Boulevard Gouvion St Cyr, tel 4068 3042).

ARTS GUIDE

Monday: Berlin, New York and Paris.
Tuesday: Austria, Belgium, Netherlands, Switzerland, Chicago, Washington.
Wednesday: France, Germany, Scandinavia.
Thursday: Italy, Spain, Athens, London, Prague.
Friday: Exhibitions Guide.
European Cable and Satellite Business TV (Central European Time)
MONDAY TO FRIDAY
NBC/Super Channel: FT Business Today 1330, FT Business Tonight 1730, 2230
MONDAY
NBC/Super Channel: FT Reports 1230.
TUESDAY
Euronews: FT Reports 0745, 1515, 1545, 1815, 2345
WEDNESDAY
NBC/Super Channel: FT Reports 1230
FRIDAY
NBC/Super Channel: FT Reports 1230
Sky News: FT Reports 0230, 2030
SUNDAY
NBC/Super Channel: FT Reports 2230
Sky News: FT Reports 0430, 1730.



The next in the monthly round of staged conversations between the UK chancellor and governor of the Bank of England takes place this Wednesday. The timing of these meetings is a bit archaic, as they are loosely linked to the publication of the figures for M0 (cash balances) which are out today, but which are now only one limited part of the jigsaw of indicators which the Bank and Treasury examine.

This time, however, much light has been shed by the publication of the flash estimate for third-quarter GDP. This estimate – for whose introduction the Central Statistical Office should be congratulated – itself summarises a large range of indicators. The GDP estimate was followed by the CBI quarterly Industrial Trends survey, still the least bad forward indicator we possess.

In a speech in the West Midlands on Thursday, the governor, Eddie George, came as close to disclosing his advice to the chancellor as he is ever likely to do before the event. As usual, there is something for each side. To comfort the doves, he reminded the assembled businessmen – as he had earlier that day reminded a financial audience in London – that "markets are currently exaggerating the inflationary dangers and the extent of the rise in interest rates that might ultimately prove to be necessary to contain them". He detected some moderation in the output data and said that the personal sector might be less buoyant than it was in view of the flat housing market.

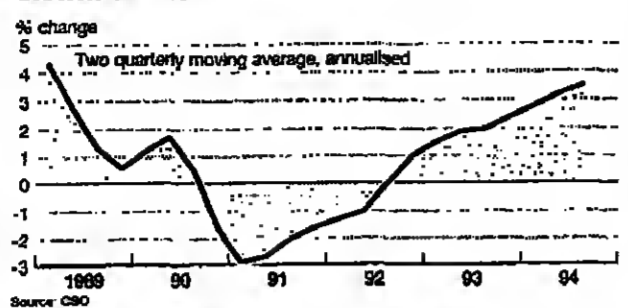
He spoke of producers absorbing cost pressures in the early stages of the production process and of the intense retail competition, which was a powerful ally in keeping prices down. Last, but by no means least, he reminded people of the further fiscal tightening in the pipeline. Tobacco and road fuel duty rise this December. In April, not only does VAT on fuel more than double, but tax allowances for married couples and for mortgage interest are to be trimmed, even if nothing further is announced on Budget day on November 29.

For the hawks, he referred to the re-entry problem – that is the eventual need to slow down the growth of output to a rate that can be sustained in the medium term. Moreover

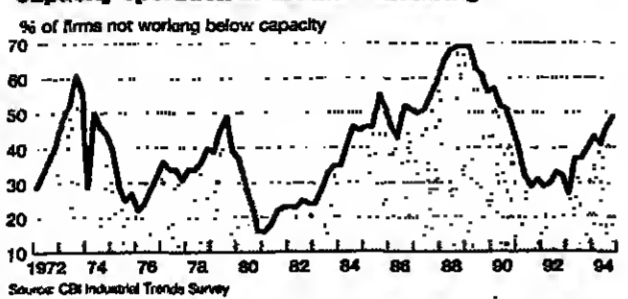
Samuel Brittan

UK rates will need to rise

UK non-oil GDP



Capacity operation in UK manufacturing



estimates of output growth tend to be revised upwards at this stage of the cycle. Any slowdown in consumer spending, so far from being a bad sign, will be much needed "if we are to find room for stronger growth of exports and investment" of which he saw such encouraging signs.

He was even more confident that the increase in base rates in September was right; and said "you wouldn't expect me then to rule out the possibility of some further rise in interest rates at some point ahead". For good measure he added: "I don't expect you to cheer exactly when rates do have to go up. But I don't think you would thank us if we flinched..."

The really tell-tale bits relate to his reasons for underlying optimism, such as the favourable outlook in overseas markets, British industrial competitiveness, and the historically high real pre-tax returns on capital. To a good central banker these are reasons for ensuring that things remain that way, rather than for simple-minded applause.

As a connoisseur of Central Bank Speak, my interpretation

Comments. In either case the margin of excess capacity is being quite rapidly eroded, which is confirmed both from the labour market figures and the CBI capacity utilisation survey. Michael Saunders of Salomon Brothers has produced a chart showing capacity utilisation at a normal rate in Germany, well above normal in the US and somewhere in between in Britain.

Faithful readers will know the arguments for taking nominal spending as the target variable for policy. Because of recent very low inflation rates, nominal GDP growth, when we get more recent estimates, might turn out to be at around 5 per cent per annum, perhaps even less.

In itself this is entirely satisfactory. But if there is an overwhelming proportion of indicators pointing to upward pressures in the quarters to come, and moreover many of them come directly from the cost and prices component, it is time to sit up and take notice.

CBI output expectations are the highest since October 1988, towards the peak of the last boom. Export deliveries reported are the highest since the series began in 1978. The balance of firms in the CBI survey intending to increase prices is now the highest since early 1991, before inflation began its plunge. The percentage increase in earnings due to pay settlements has edged up by around 2 percentage points in both manufacturing and services. And – most difficult to take into account in policy – the Economist commodity price index has risen, admittedly from a low point, by over 40 per cent in the last year measured in dollars, and by over 25 per cent measured in sterling.

This last indicator points to the radical change in the international environment. Demand and output are rising vigorously from a varied series of starting points in the industrial, developing and post-communist worlds alike (apart from Japan).

The UK has no painless way of escaping completely worldwide inflationary or deflationary forces. But every aspect of the conjuncture suggests that any movement in sterling ought to be modestly upwards, compared with the sideways movement of the last two years. The exchange rate must be a more important consideration in any base rate decision than the chancellor will find it politic to admit to his own backbenchers.

Looking myself at the third-quarter GDP, I cannot see much sign of any slowdown. The top chart plots a two-quarterly moving average of this measure excluding the volatile North Sea sector. It shows growth rising steadily since the end of the recession to reach an annualised rate of 3½ per cent.

There is some argument about whether the trend rate of growth is not much above 2 per cent per annum, as the Treasury and Bank seem to believe, or nearly 3 per cent, as Christopher Dow, a former Bank of England economic director, argues in the publication *Leopold Joseph Economic*.

European Union specifications for the bendiness of bananas have made irresistibly comic copy on the front pages of Britain's tabloid press recently. Most people are unable to take anything to do with bananas seriously.

Not so a committed core of trade negotiators, officials and businessmen involved in an acrimonious dispute over the EU's arrangements for importing the yellow fruit.

Opposition to the EU's banana import scheme is running high. In recent weeks, the US has launched one trade investigation and threatened a second; the German government has complained for the second time to the European Court of Justice; and Guatemala has vowed to lodge a complaint with the new World Trade Organisation, successor to the General Agreement on Tariffs and Trade next year.

While disagreements over bananas date back to the creation of the EU in 1957, current divisions are so deep that the Union is finding it difficult to agree any action at all.

The present source of friction is the preferential access to the EU banana market – which accounts for 3.8m tonnes a year – granted to former colonies of Britain and France in Africa, the Caribbean and the Pacific (ACP) under the Lomé trade convention.

In 1993, import rules had to be harmonised across member countries as part of the move towards a single market. Before this, Germany imported bananas from Latin America as a source of quality, uniform, inexpensive fruit. But the new rules placed a quota and a tariff on these so-called dollar bananas, while allowing in ACP country imports tariff-free. Under the current regime, 30 per cent of import licences are allocated to traders on the basis of past trade in ACP bananas, 60 per cent on the basis of past trade in Latin American bananas, and 10 per cent to newcomers and traders in EU bananas.

Germany was furious about the new rules, although, as one German former agricultural official recently roared: "Germans are not emotional about bananas; it's pure economic good sense."

Germany consumes more bananas – almost 1lb per person per week – than any other country in the EU, double the level of UK consumption. The fruit was seen as a first taste of freedom for west Germans after the allied blockade. It was



Fruit wars: banana processing in Costa Rica

Brussels in a banana split

Deborah Hargreaves on a row over the EU's import scheme

also a potent symbol of western affluence for east Germans, who cleared the shelves of bananas in west Berlin when the Berlin wall was pulled down in 1989.

"Konrad Adenauer did a lot of good things for us Germans, but the best was the banana protocol," said a German official with only a tinge of irony, referring to the deal hammered out by the first German chancellor allowing Germany to import as many bananas as it wished.

Negotiating the protocol held up the signing of the Treaty of Rome, which originally created the European Economic Community.

Indeed, bananas have almost changed the face of the world a few times. A Franco-German dispute over bananas delayed the signing of the Uruguay Round agreement in Marrakesh earlier this year. And Germany's second complaint to the European Court on the issue could still hold up EU ratification of the Gatt deal.

The UK and France remain firmly committed to the Lomé convention. "We're still as behind the banana regime as ever, but you can't disguise the fact that it has rather a lot of enemies," said one British Foreign Office official.

UK officials, however, acknowledge that the US trade investigation could present the most serious challenge yet to the EU's banana arrangements.

Mr Mickey Kantor, US trade representative, is looking into a complaint by Chiquita Brands International, a large US banana exporter, and the Hawaii Banana Industry Association that the EU's arrangements for importing bananas are damaging US companies' ability to compete in the \$2.7bn-a-year EU market. Mr Kantor has said he will also investigate the quota on EU imports from Latin America, which has been set at 2.17m tonnes this year.

Latin American countries have already had complaints over quotas upheld by the Gatt disputes panel, which has declared the EU arrangement illegal. The EU recently applied for a waiver to the Gatt rules for the Lomé convention. The Gatt council is due to consider the request next week.

But Mr Kantor's investigations may be more difficult to ignore. If he concludes that US interests have been hurt by EU policy, he is likely to threaten retaliatory trade action. If he threatens to slap a large import tariff on Scotch whisky, for example, the UK government would have to decide whether it could put national interests at risk through its support for an altruistic policy towards former colonies. Under these circumstances, UK politicians' enthusiasm for the banana regime could fade fast.

Caribbean banana producers are aware of their vulnerability in these games of power politics, but since bananas are one of their few sources of income, they must battle on. "We spend all our time fighting on the diplomatic front to preserve our markets – it's unsettling. We need stability to develop agriculture," said Mr John Compton, prime minister of St Lucia, which derives half of its gross domestic product from the sale of bananas to the EU.

Mr Compton feels embattled on all sides, after a tropical storm in September destroyed 60 per cent of the island's banana crop. After the storm, Geest, the main importer of bananas from the Windward Islands, successfully fought to raise its quota of Latin American bananas to make up the shortfall.

Germany has suggested that, since bananas from ACP countries are small and of variable quality, their producers should receive aid to help them diversify out of bananas. The St Lucia prime minister wants to encourage the production of avocado pears and citrus fruit, but since most bananas are grown by small, family farms, it takes time to put changes into practice.

For now, the European Commission is stymied on bananas. Its current rules for quotas on Latin American bananas were due to come into force this month, but it has been unable to agree the technicalities of the regime with member governments. Mr Kantor's investigation is likely to take about a year, and Germany's complaint will be heard in the European Court next year.

Anyone who thinks bananas are still amusing had better wipe the smile off their face.

LETTERS TO THE EDITOR

Number One Southwark Bridge, London SE1 9HL

Fax 071 873 5938. Letters transmitted should be clearly typed and not hand written. Please set fax for finest resolution

Transport: plan on basis of sustainable development – or reverse development

From Sir John Houghton and Mr Aubrey Silberston.

Sir, We are sorry to find the Financial Times, of all papers, criticising the Royal Commission's report on transport without taking the trouble to appreciate our arguments. The commission has not said that building more roads is "intrinsically wrong" (as suggested by your leader, "Misreading the road map" on October 27). The whole basis of the report is sustainable development, which cannot be achieved unless assessments take into account both "the benefits of mobility" and the value of environmental assets that might be lost.

To carry out such assessments, the report recommends a pragmatic approach, in the form of identifying the "best practicable environmental option" (para 9.56). The commission's view on both roads and new rail lines (para 4.60) is that they should not be built in areas of conservation, cultural, scenic or amenity value unless they have been shown to represent the best practicable environmental option. In such cases, in the terms of your leader, the price associated

with their use would have to be very high indeed before their construction could be justified.

You also misrepresented the commission's position in another respect. The use of unleaded petrol remains desirable on health grounds, even in cars without catalytic converters. But we drew attention in our ninth report in 1983 to other health risks associated with high-octane (super premium) unleaded petrol.

Neither the commission, nor so far as we are aware, other environmental experts, has ever argued that particular grade is (as you put it) "green". John Houghton, chairman, Aubrey Silberston, member, Royal Commission on Environmental Pollution, Room 652, Church House, Great Smith Street, London SW1P 3BZ

From Dr Jörg Schimmelpenninck. Sir, Your editorial on the findings of the Royal Commission on Environmental Pollution is founded on two fallacies.

First, while matching total

revenue raised from any particular group of road users with the total costs caused by that group may well relate to questions of fairness and, thus, to selling certain policies to the public, it has nothing to do with overall economic efficiency. For any policy to be efficient it should set the right incentives.

Consequently, only margins are to be taken into account. As long as the private costs of driving one additional mile fall short of the corresponding social costs, society suffers as a whole.

Second, since the American economist, Anthony Downs, published his findings on congestion on US freeways in 1962, there has been ample evidence – though largely ignored by road planners and transport ministers – that new roads increase road traffic. Again, the reason is a matter of incentives. By relieving congestion in the short run the private costs of motoring as experienced by the marginal driver are reduced on other roads as well and, thus, more drivers are wrongly induced to use the roads. In the worst scenario this may even lead to an

increase in overall congestion.

Instead of proceeding with the current road building programme, the government would be better advised to introduce road pricing and significantly to increase fuel taxes. By pricing marginal drivers off the roads, much of today's "demand" for new roads would become obsolete. The financial consequences of this could easily be cushioned by, for example, scrapping vehicle taxes or reducing income tax or National Health Service contributions. Taken as a whole, this could even leave public revenue unchanged.

Every day both the countryside and tens of thousands of commuters all over the UK continue to suffer from disastrous repercussions of Dr Beeching's recommendations of three decades ago. The Royal Commission's report presents a unique and possibly final chance to halt and, at least partially, reverse this development. It should not be wasted. Jörg Schimmelpenninck, department of economics, University of Osnabrück, 49060 Osnabrück, Germany

Let's drink to boost for tourism

From Mr Stephen Cox.

Sir, I suggest a boost for tourism that needs no new money, no new "initiatives", and no new government bodies. Give us intelligent, grown-up, civilised pub hours. Let pubs open on Sunday afternoons if they want to. And let pubs and restaurants serve alcohol until the small hours of the morning.

Michael Forsyth is the minister responsible for licensing. As a Scot, he knows they do things better up north, where pubs can open on Sunday afternoons and until 1am. And, as a deregulator, he should be itching to get his hands on these absurd English laws.

How about it? Stephen Cox, campaigns manager, Campaign for Real Ale, 34 Alma Road, St Albans, Herts AL1 3BW

UK must aim to become a key player in information superhighways

From Mr Graham Allen, MP.

Sir, The space you have devoted to the new information superhighway ("France ponders superhighway gamble", October 28) and its potential benefits and implications for the future ("Information groups warned on multimedia hopes", October 26) underlines the importance of the decisions currently under consideration.

The screen may replace the school and this issue is of such technological, educational and economic importance that we must ensure the best possible route is taken to allow it to develop and expand.

As the report by the research organisation, Inteco, has pointed out, there will not be appreciable revenues from this industry until the next century. However, this cannot inhibit public and private sector expansion into the commu-

nications revolution.

The key question is the public/private partnership; for example, can public benefits be negotiated for UK citizens comparable with those Vice-President Al Gore is working on in the US? In the US, Gore is operating within a wholly private sector. Equally, in France where the public sector predominates, the ambition is for the establishment of a network of fibre optic cables linking every household by the year 2015.

The EU industry commissioner favours bringing the lead in development of a European information superhighway into the domain of private companies; some other states of the EU would prefer public operators to control national infrastructures. Therefore the question is not one of whether private or public sector domi-

nates, but how both sectors can work together constructively and create the blend which delivers the widest benefits for the citizen.

In that positive context a future British government will try to develop plans for information superhighways with a close eye on European and global developments.

All excursions into the exploration of such high-tech industry must take account of European competition and industry policies. The potential for exciting development exists and we must ensure that Britain becomes a key player in this new revolution and that the benefits will flow to the greatest number of individuals. Graham Allen, shadow spokesperson on broadcasting and the media, House of Commons, London SW1A 0AA

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Monday October 31 1994

White House and Casablanca

After President Bill Clinton's gestures towards peace and security during his Middle East trip last week, the current conference in Casablanca provides a timely reminder of the economic developments required to make peace durable. But participants would do well to remember that the region is far from being able to beat swords into ploughshares as the more visionary Israeli leaders sometimes suggest. In fact, it is still in urgent search of the political solutions that are an essential precondition for development.

The cornerstone of the peace process is the relationship between Israel and the Palestinians, and that is in trouble. Israel has so far only withdrawn from part of Gaza and the town of Jericho, leaving in its place an ill-functioning Palestinian self-rule authority which has failed to get to grips with the economic issues confronting it. Scarcely any of the \$700m earmarked by international donors for infrastructure projects this year has been spent, while Palestinian infighting has led to the absurd confusion of the same telecommunications contract being awarded to different companies. Israel has added substantial funds to the problem by shelling its borders to tens of thousands of Palestinian workers, thereby deepening poverty in the territories and bolstering Hamas, the radical Islamic group intent on sabotaging the peace accord.

Israel and western aid donors agree that the modest prospects for a viable Palestinian economy depend heavily on a close association with its Jewish neighbour. To talk, as Israeli leaders have done recently, of a permanent physical separation between the two communities, is a recipe for economic, and probably political, disaster.

To avert this debacle, two things need to happen. First, Israel must withdraw speedily from the West Bank so that already overdue Palestinian elections can be held. If a sizeable part of the Palestinian electorate shares western suspicions that Mr Yasser Arafat, chairman of the Palestine Liberation Organisation, is not up to the task of running the self-rule authority, the sooner its voice is heard the better.

Second, the World Bank, EU and US must intensify their efforts to ensure that donor money is spent quickly and effectively. Part of the problem here is the lack of regional support for the aid effort. A few years ago Saudi Arabia and Kuwait would have been expected to be among the most generous contributors to an emerging Palestinian state and to the regional development projects being mooted in Casablanca.

But President Saddam Hussein, the price of oil, and President Clinton's success in selling billions of dollars worth of military equipment have meant that even the revenues from oil barrels of oil a day are insufficient to halt the Saudi budget sliding into deeper deficit. With the kingdom's per capita GNP now little more than a third of the average for the EU, what was the world's most affluent welfare state is being rapidly eroded, and political pressures are growing. Now Saudi Arabia and Kuwait face the need for substantial additional outlays to support the latest US military deployment in the region. Security in the Gulf does not come cheaply.

Enhanced security in the Middle East may be what Mr Clinton sees from the White House. But the political obstacles remain daunting, and the economic underpinnings for peace are fragile indeed.

EU carve-up

Sir Leon Brittan may be disappointed, yet he cannot really be surprised. Saturday's sharing out of European Commission jobs forced Britain's senior commissioner to relinquish responsibility for eastern Europe to his chief rival, Mr Hans Van den Broek of the Netherlands. He is making no effort to hide his bruised feelings.

Yet from a wider perspective, the Commission carve-up is far from a disaster. It is messy, it is largely because there are now too many commissioners chasing too few jobs of substance. But Mr Jacques Santer, new Commission president, has done a perfectly reasonable job in recasting and dividing up the foreign policy portfolio – and, for the most part, in concentrating fire-power on the policy areas that matter.

Moreover, before deciding whether to carry out his veiled threat to resign, Sir Leon should reflect both on the nature of the portfolio he still commands, and

on the job he has had to drop. Trade remains the most important aspect of the Commission's external activities, and he still faces a formidable array of challenges, from securing implementation of the Uruguay Round to pursuing closer relations between Europe and the dynamic region from which it seems most remote, Asia.

Nor, in relinquishing the eastern Europe job, is Sir Leon handing over to a protectionist or to someone determined to thwart the accession of the central European countries to the EU. There is little doubt that Mr Van den Broek will set about the vital task of preparing for the Union's next enlargement with gusto. What is more, the eastern question is one for the whole Commission, not just one commissioner. If it is to admit new members, Brussels will have to implement changes to its budgetary, trade, agriculture and social policies. Sir Leon will have plenty of influence in all these areas.

Slimmer banks

Who would be a retail banker these days? According to Sir Brian Pitman, chief executive of Lloyds Bank, the UK's financial services industry is heading for a rough ride, comparable to the upheaval experienced by manufacturing industry in the past two decades. He is right, but the conclusions he draws, far from being melodramatic, may prove insufficiently radical.

The new pressure on retail banking, as Sir Brian points out, comes from the nature of the current economic recovery. In particular, from low inflation and from growing competition. High inflation used to tell out banks from the consequences of sloppy lending. No longer. At the same time, competition is intensifying: with margins tightening both in the already ferocious international wholesale markets and in domestic retail banking.

Retail banking margins were fattened during recession, when customers paid charges demanded for fear of having facilities withdrawn. Even during recovery, banks have chosen to rebuild margins rather than drive for market share, despite protests about banking costs from small businesses and personal customers.

But now, the squeeze is back on – and the longer-term picture is of further margin erosion. Mainstream retail banks' best skill is the bread-and-butter of deposit-taking and lending. These days, that is a commodity business. Unless they can show that they are better at asset management, life assurance and pensions than long-established specialists, or that they can derive a cost advantage from their base of millions of customers when selling such products, they have no competitive advantage in these areas.

Banks have, in fact, shown no particular skill in the provision of the newer services. Moreover, only

a small number of customers wants the full range. Most use their banks only for the payments system, and go elsewhere when they want loans, or other "real-estate" services. This is why Citicorp, the 32-year-old private bank, may be misguided in trying to move "upmarket" as it announced last week. In trying to weed out customers with less than \$500,000 under management by the bank in order to focus on asset management, it threatens to alienate its already-select customer base for little return.

The implication of the pressures on retail banking, as Sir Brian Pitman warned, is that job cuts are necessary. As a mature, low-growth business, retail banks should expect numbers of employees to fall steadily as new information and payments-handling systems are introduced. Furthermore, the loosening of rules on building societies' lending will probably lead to fewer banks and building societies.

While navigating this restructuring, retail banks need to ask themselves whether they should attempt to provide a wide range of services. To survive, they may need, instead, to cut back the "extra" services offered to customers and to trim further the personal service which accompanies mainstream banking. But the banks' traditional advantage has been customer loyalty. Somehow, they must retain that advantage, while increasing efficiency. The risk, as they shed staff, is that standards of service will decline and customers will go elsewhere.

The successful banks of the future will focus on core areas of advantage. They will also become more efficient, while continuing to provide the quality of service that sustains – even enhances – their customers' loyalty. The rest may well decline steadily, under remorseless competition.

With corruption allegations having claimed two members of his cabinet, French Prime Minister Edouard Balladur is scrambling to prevent his government being tainted with scandal in the run-up to a presidential election that he clearly intends to contest.

Mr Balladur last week proposed a series of amendments to France's existing political finance and anti-corruption legislation. These would subject public procurement to closer scrutiny and leading politicians to an annual audit of their personal wealth, as well as cut by a third the total amount that presidential candidates could spend in the 1995 campaign for the Elysée.

But many – including senior parliamentary figures – are calling for more radical reforms, such as a ban on all corporate contributions to political parties. Such proposals highlight public pressure for stronger measures against corruption, raising questions about the extent of the problem, the response of the political and corporate establishment, and the implications for relations between business and state.

Most observers agree that corruption in French politics and business is not on an Italian scale. Mr Balladur is almost certainly right in saying that "only several tens among France's 500,000 elected politicians" are beset by scandal.

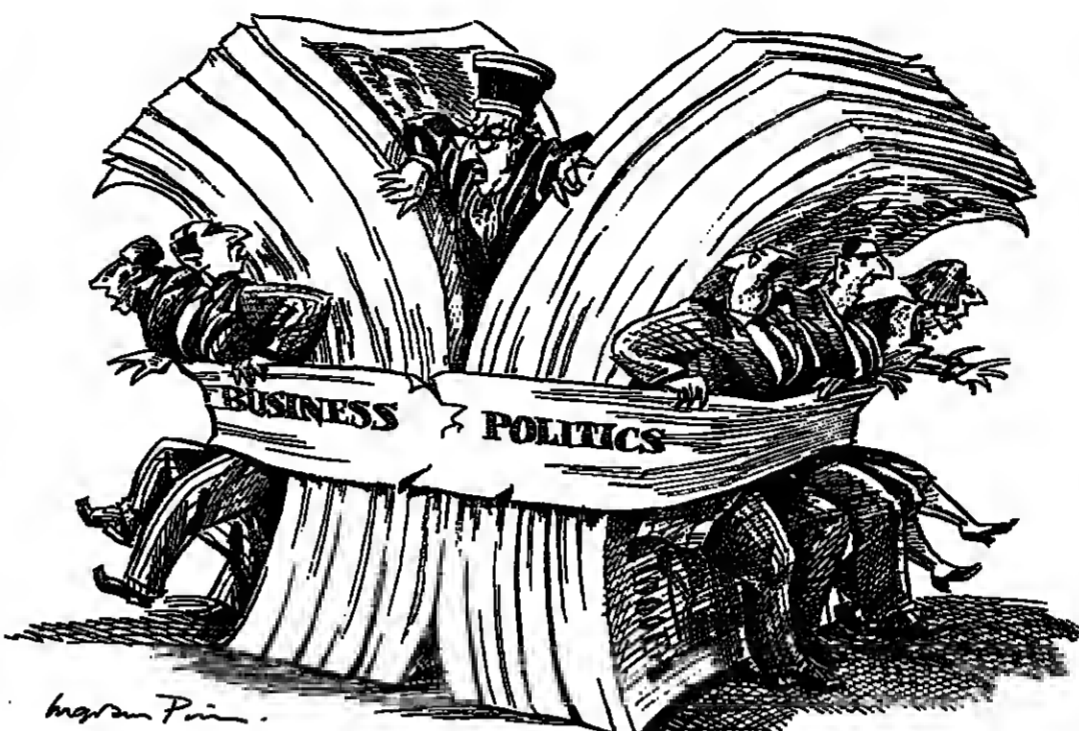
But Mr Alain Carignon, his former communications minister, is now in a Lyons prison facing charges of corruption in Grenoble, of which he is still mayor. Mr Gérard Longuet has been forced to resign as industry minister over allegations concerning payments for his holiday villa in St Tropez and the funding of his Republican party. The mayor of Lyons faces investigation, and the ex-mayor of Nice awaits extradition from South America on similar charges.

Internationally known company chiefs have been hit. Jean-Louis Baffa, CEO of the Saint Gobain glass and packaging group, has been placed under investigation in a case involving influence-trading, which triggered the probes into Mr Longuet. Several executives from some utilities and construction groups have been questioned concerning the terms on which they secured public works contracts.

Mr Didier Pineau-Valencienne, chairman of Schneider, the electrical engineering group, and Mr Pierre Suard of Alcatel Alsthom, the telecoms, transport and engineering company, have been placed under investigation in different types of cases. The former, accused of defrauding minority investors, is the object of an international arrest warrant issued by a Belgian judge, while the latter faces accusations that he used company funds to pay

After a run of scandals, France is trying to prise politics and business apart, say David Buchan and John Ridding

Magistrates in the middle



for work on his private property. Much of the drive to uncover corruption has come from the French magistracy, which has shed its former servility to political and corporate power. Its first targets were the Socialist party's finances, the personal finances of Mr Pierre Bérégovoy, the former prime minister who committed suicide 18 months ago, and the tangled affairs of Mr Bernard Tapie, the leftwing MP and former businessman.

But the number of investigations – and the levels they reach – has risen sharply this year, shaking government and business leaders. "Many company chairmen are terrified," says Mr Edie Cohen, a Paris professor of business. "They have seen the treatment of their counterparts and they are traumatised."

Business leaders have condemned the high-profile methods of the magistrates and the lack of respect for judicial secrecy. Mr Suard, for example, was detained for 12 hours

in police custody, and claims details of the investigation were leaked to the press.

But the spate of investigations has also prompted soul-searching about the way business is conducted. The Patronat employers' federation has set up a study group with a remit wider than Mr Balladur's anti-corruption commission, to include companies' relationship to the law, judges and politicians, as well as to examine means by which companies could exercise better control over themselves.

Some sectors and companies are already taking their own action. The National Federation of Public Works is working on a code binding its 6,000 member companies not to offer bribes to win the FF150bn (\$18bn) worth of public contracts they carry out every year. Carrefour, the supermarket chain, has forbidden employees to accept presents worth more than FF1,000 from suppliers. Générale des Eaux, the

utilities and communications group, has an ethics committee headed by a retired senior manager to guide managers on sensitive contracts. Companies are also questioning whether a tradition of powerful bosses with inadequate internal controls has permitted malpractice. "There is too much concentration of power in the PDG [présidents-directeurs-généralistes]. Stronger boards are needed with more checks and balances," says Mr Henri-Claude de Bettignies, professor of ethics at Insead business school.

Pressure for reform of corporate governance in France predates the current scandals. The legal adviser to one leading industrial group says the problem is that "PDGs control boards rather than vice versa".

A 1986 reform enabling the creation of a supervisory board headed by a president, and a *directoire* headed by the chief executive, would help divide power and responsibility. However, only 2 per

cent of French companies have adopted the practice. This Anglo-Saxon type of solution does not sit easily with French corporate culture. "Non-executive independent directors do not attract us," says a one business leader.

For many observers, however, more fundamental problems lie in the close relationship between business and state, particularly at the local level. Scope for corruption was increased by the decentralisation of decision-making powers to the regions over the past decade, and the trend by cities to contract more of their water and waste treatment services to private companies.

Half of France's 36,000 communes, representing 75 per cent of the population, now have water provided by contractors. "These companies have the technology and capital required these days to carry out these services," says the National Association of Mayors. But there is widespread suspicion of sweetheart deals between public officials and private companies.

Mr Balladur now proposes giving back to *préfets* – central government's representatives in France's 85 départements – the power to suspend contracts where there is ground for suspicion. A more radical proposal touted by some would be to ban all companies carrying out public contracts from giving any money to politicians.

A 1990 law restricts to FF600,000 a year the amount that a company can donate to a political party. But there is a loophole for the construction and utility groups, since each subsidiary of a group can make donations up to this limit. Utilities tend to set up separate subsidiaries to manage major municipal contracts, so that Générale des Eaux, for example, has 2,500 subsidiaries.

Some say pressure for transparency is growing. "We will move towards a process of increased legal scrutiny of public contracts," says Prof Cohen. "The more affairs there are, the more momentum will grow for a system of auctions and safeguards, such as a panel of magistrates which can oversee contracts."

He believes that the process is under way. The award last month of the potentially lucrative third mobile telephone licence to Bouygues involved a detailed analysis of rival projects and stirred a debate about the terms of the contest. "This kind of debate would not have happened before. It was a significant step," says Prof Cohen.

More steps will need to be taken. "Even if corruption is less than before, the popular perception is that it is rife," admits one executive of an industrial company. "This is creating anti-business feeling, and has to be resolved quickly."

'Highway' to transport of the future

The \$5 gallon of petrol is now firmly on the UK political agenda, alongside electronic road tolls. Last year, the chancellor, Kenneth Clarke, announced that petrol duties would rise 5 per cent a year in real terms for the foreseeable future. In the forthcoming Budget, he is likely to go further in raising taxes on motoring, supported by last week's report from the Royal Commission on Environmental Pollution.

The automotive age is drawing to an end, choked in its own congestion and pollution. But what follows?

Calls for massive investment in conventional public transport, even if privately financed, seem out of touch with the needs of a generation that has grown accustomed to the predictability and door-to-door security of auto travel.

Equally, visions of a nation of "sane eagles" telecommuting from their offices in the countryside or suburbs, seem overdone.

The information revolution holds

the key, but it is about far more than telecommuting. Its true potential is in allowing much better use of existing transport resources.

Off-peak buses and suburban trains usually run well below capacity, with load factors that would make an airline bankrupt. Taxis rarely fill all their seats, and operate at a zero load factor when plying for hire.

The new technologies can raise these utilisation rates dramatically. One contribution would be to provide up-to-the-minute information on what is available, and make the nearest empty space easier. A more exciting contribution would be in creating a more flexible pricing structure for public transport.

A hint of what is to come is given by the on-line computer terminals used in many taxis in London and other European cities. These allow cabbies to choose a preferred job from among those offered on the screen. In most cases, the one nearest to them at the time.

However, this offers nothing new on pricing. When you buy a taxi ride, you get privacy, door-to-door

transport and immediate service. Not everyone wants all of these services, but they are not available separately. The only public transport alternative is a bus or train – and these offer none of the three.

Information technologies will allow these services to be unbundled. The pensioner can book a cab to get (possibly shared) door-to-door service to the supermarket, at a time chosen by the taxi company. The fare will be far below the price charged to a business customer who needs to go at a specific time.

The discount reflects the increase in load factors towards 100 per cent, achieved by the flexible scheduling possible when serving a mix of consumers, some of whom do not mind when they travel, and some of whom don't mind sharing. The

result is a taxi service – or elements of it – with prices. Mini-bus operators will join companies in these new markets.

Conventional bus services can also raise load factors by offering extra services, such as tailoring their routes to demand. The distinction between buses and taxis will become blurred.

This is a great vision, but it will not happen by itself. Someone has to build communications networks to link would-be travellers with the vehicle operators.

It might require the government to license just one or two operators for a period to encourage investment in such networks. The question must also be addressed of whether to have common ownership of communications networks and of vehicle fleets, or separate them, as is planned with the split between the owners of the track and the trains for British Rail.

These issues may seem technical now, but they could be real politics soon. The electorate will not accept that secure, convenient transport is a prerogative of the rich. The narrow political challenge is to set the

regulatory framework for a responsive, information-based transport system and put the finance – public, private or mixed – in place.

But there is a broader challenge. Even if the new buses and taxis offer a low-cost "product", poorer people may be unable to use it if booking by phone requires use of a credit card.

Electronic payment of social security benefits would solve this, since claimants would gain (a limited amount of) creditworthiness by allowing transport operators and other firms to debit their future benefits electronically.

Political talk about "on-ramps to the information superhighway" is easy. The hard reality is that the information age is starting to open up a series of very difficult issues, all closely intertwined. These will be at the core of political debate in the next few years.

Giles Keating

The author is chief economist at CS First Boston

OBSERVER in Lebanon

Emerging marketplace

Welcome to the world's first literal emerging market. Beirut is scrambling to extract itself from the rubble of a 17-year war, in which a collective madness saw as many as 200,000 killed. Not yet a tourist hot-spot, but it might be one day.

Wealthy Lebanese and outsiders keen on risky bargains are beginning to find Beirut sexy. It is a little grim. They detect a phoenix deep within its ashes.

Some ashes. Just about the only sector in downtown Beirut – Beirut generally, for that matter – not liberally splattered by gunfire is the small banking enclave.

It's an odd sight: completely undamaged office blocks amid a sea of devastation reminiscent of Berlin circa 1945. One Beirut just back after lengthy exile offers an explanation: "They [the fighters] normally left the banks alone. They all realised they needed them. No banks – no means of funding their arms deals."

So said Lord Alexander Hesketh.

43, at Beirut's Coral Beach hotel, introducing the inaugural flight of British Mediterranean Airways from London's Heathrow to the Lebanese capital.

Chairman of BMA, Hesketh took with him an assorted bunch of hacks – Observer included – and friends, checking out the company's leased Airbus A320 (worth \$45m) and Beirut's potential.

Hesketh is shy about BMA's shareholders; it's a private company. He says 60 per cent is British, the remainder held by backers including Italians and Argentines. Hesketh, who also sits on the board of Babcock – next to Lord King, former chairman of British Airways – says BMA is no gamble, though he adds: "Romanticism has always been a weakness of mine."

British Airways has just decided it too will start flying London-Beirut. "They will try to kill us. We shall have to resist," concludes Hesketh.



"I like my lungs but I love my car" obvious bodyguard – bury type, no champagne in hand, roving eyes – steadily maintaining three paces behind her, suggests it does. "Oh, pay no attention to him," joked Fort. No need to; three steps behind him was yet another minder.

Fortitude

Flying the flag at the reception was Maeva Fort, British ambassador. She dashed off to a dinner for London Stock Exchange visitors, in town for a seminar on investment. Fort smoothly sidestepped the question of whether the Foreign Office regards Beirut as a hardship post.

But the presence of a very

Trafficking

With roads originally designed for 100,000 vehicles, Beirut now has at least 1m – about one per Beirut – coughing through blizzards of dust and freshly bulldozed sites. The number of traffic lights can be counted on two hands.

"Peace brings its own problems."

What would we do with traffic lights? The troops and police would all be out of a job," says a local driver.

Price of peace

And no one wants to see the 30,000 strong Lebanese army, nor indeed the remaining 30,000 or so Syrian troops, idle. Sheikh Nazim Kassem, a founder of Hizbollah, which still has an estimated 3,500 fighters dotted around Lebanon, as well as MPs, ominously says: "The price of peace will be greater than that of war."

Another Beirut suggests: "The Syrians are still here to protect Hizbollah, who would otherwise be wiped out by the Lebanese army." Meanwhile, Hizbollah contents itself by trading shots with Israel in the south. A lasting peace? Don't count any chickens.

Cool by name

Beirut's only English language publication, the weekly magazine *Monday Morning*, is a little turgid, leavened by the occasional titbit. "A lively, blue-eyed glance, an infectious laugh, aristocratic manners – such is the European Union's head of delegation" (actually *chapt d'affaires*) "in Beirut, Harold Cool."

Cool, a Belgian, apparently likes wearing a cloak in winter, while "in

summer he carries, quite unabashed, a scarlet red fan. I acquired the habit when I was posted to Africa. It was so hot that I took a fancy to it."

Absent friends

No longer in government, Hesketh still knows how to network. His guests included Bruce Anderson, the journalist and John Major biographer, and Lady Carla Powell, wife of Sir Charles Powell, former diplomat and trusty aide of Baroness Thatcher. Anne Heseltine, wife of trade and industry secretary Michael, dropped out.

At a welcoming dinner – just before the belly-dancing Jiselle performed some remarkable gyrations – Hesketh praised Sir Charles (absent "on a plane to Malaysia") as "possibly the greatest single public servant Britain had in the 1970s and 1980s". Possibly.

Beirut boot

Beirutis looking for silver linings amid chaos might comfort themselves that advertisers have yet to invade in strength. Hardly any neon, just some crude posters, including a ubiquitous one for "Cressfire" footwear. There's salesmanship for you.

Gary Mead

MARKETS
THIS WEEK



JOHN PENDER:
GLOBAL INVESTOR
The average central banker has been programmed to warn about the threat of inflation regardless of economic circumstance. Something is clearly up, then, when a well-known anti-inflationary hawk like Mr Eddie George, governor of the Bank of England, argues that the markets are too pessimistic about the inflationary prospect. Page 21



STEPHANIE FLANDERS:
ECONOMICS NOTEBOOK
Economists have usually assumed a steady state of economic "bad", and left the more detailed theories to their colleagues in the political science department. Yet analysis of economies with very different styles of political crookedness has made them think again. Page 21

BONDS:
The decision by Moody's, the credit rating agency, to place Sweden's A2 foreign currency debt rating on review for a possible downgrading is likely to weigh heavily on the bond market when it opens today. Page 22

EQUITIES:
The Dow Jones Industrial Average jumped more than 55 points, to close the week at 3,930.66, after a stream of strong earnings. As of last week, 20 per cent of companies had reported profits 10 per cent or more above the consensus. In London, volatility in share prices is related directly to the dismal volume of business in the equity market. Page 25

EMERGING MARKETS:
Hopes are running high that the various exchanges in Africa are about to embark on an unprecedented growth path. Page 24

CURRENCIES:
Foreign exchanges will be focusing on the US and UK central banks this week, with the possibility that interest rates may rise in both countries. Page 24

COMMODITIES:
The London Metal Exchange today moves to new premises, which will double its space, allowing for expanded technological facilities to cope with rising trading volumes. Page 21

INTERNATIONAL COMPANIES:
Hungary is considering a quick sale of state shares in Matav, the national telecommunications company, that would dwarf all previous international equity offerings to come out of eastern Europe. Page 19

UK COMPANIES:
Caparo Group, the private UK steel and engineering concern, has bought most of the assets of Sharon Specialty Steel of the US for \$28m cash. Page 28

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FT 100 futures	21	New int bond issues	22
FT Guide to currencies	24	New York shares	33-35
Foreign exchanges	27	World stock mkt indices	26

Banks vie for Deutsche Telekom sale

By Andrew Fisher in Frankfurt

The German government will announce in the next few days which banks are to play the leading roles in the privatisation of Deutsche Telekom, with Goldman Sachs, the US investment bank, the most likely candidate to handle the international placing.

Deutsche Bank, Germany's biggest bank, and Dresdner Bank are expected jointly to lead the overall issue, set for early 1996, under which a minority of the shares in the German telecommunications concern will be sold to raise at least

DM10bn (\$6.7bn). Out of more than 30 banks vying for the lead foreign role, Goldman Sachs has emerged as the favourite to become global co-ordinator.

As with the recent DM1bn partial privatisation of Lufthansa, the German airline, the bookbuilding method of selecting long-term quality investors from those keen on short-term gains will be used. The Lufthansa issue, led by Dresdner Bank, was heavily subscribed.

For the much larger Deutsche Telekom issue - the state-owned telephone monopoly's total value is put at some DM60bn - separate regional consortiums are also

planned to accommodate US, European and possibly Japanese investors.

The choice of Goldman Sachs to head the international placing would irritate some non-German European banks which feel one of them should have this role, as Deutsche Telekom is a European concern.

UK merchant banks with experience of international flotations have taken part in presentations, or "beauty contests", in Bonn. They include S.G. Warburg, Barclays de Zoete Wedd, Kleinwort Benson, National Westminster Bank, N.M. Rothschild and Robert Fleming.

The other US banks which put submis-

sions to the postal and finance ministries in Bonn - the official announcement will come from the former - include Morgan Stanley, Merrill Lynch, Lehman Brothers and Salomon Brothers. Leading Swiss and French banks have also been involved.

Because of tough global competition in investment banking, Deutsche Bank said on Friday it was putting its non-German investment banking activities in London. It will combine them with those of Morgan Grenfell, its UK merchant bank. International privatisations are among the areas in which the German bank wants to build up its strength.

UBS seeks employee support in strategy battle

By Ian Rodger in Zurich

Union Bank of Switzerland is again urging its 22,000 Swiss employees to vote their shares in support of the directors in their proxy fight with Zurich broker-fund manager Mr Martin Ebner over the bank's strategy.

At the moment the battle centres on the proposal by the UBS board to convert the bank's registered shares into bearer shares, drastically reducing their voting power. It has called an extraordinary general meeting for November 22 to vote on the proposal.

In a second letter to employees on the issue, Mr Nikolaus Senn, chairman, and Mr Robert Studer, chief executive, have pleaded with employees to give the directors an unconditional general proxy for voting their shares.

"Unfortunately, a large number of employees have not sent in a proxy form for general meetings," the letter says. "In our view, this should be made out unconditionally, not only for the approaching general meeting, but also for the future."

Mr Karl Schillknecht, president of BK Vision, the Ebner controlled investment fund that is UBS's largest shareholder, said he regretted the letter. "In a good bank, the staff should be left to make their own decision."

UBS denied there was any pressure. "Naturally, the bank wants to convince its personnel," it said, and pointed out that an independent proxy holder had been engaged for shareholders who wanted their vote to be private.

The registered shares now have a par value only one-fifth of that of the bearer shares, but equal voting weight. UBS says BK Vision, which has an 18 per cent holding in them, seeks excessive influence over the bank on the cheap.

BK Vision is trying to rally a majority of votes in favour of substantial changes in the UBS board at next April's annual meeting when the terms of 10 of the 23 directors expire.

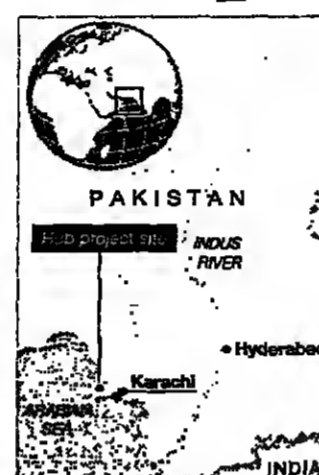
UBS employees, who can buy registered shares on very favourable terms, now hold about 12 per cent of them, carrying 6.1 per cent of all votes.

The registered shares have lost more than half of the effective 40 per cent premium they carried over the bearer shares since UBS revealed its proposal, causing dismay among holders.

Peter Montagnon and Farhan Bokhari report on a pioneering project-finance deal in Pakistan

Public and private meet at the Hub

After six gruelling years of preparation, it is finally done. The completion this weekend of a \$30m share issue in Karachi effectively means the last piece of financing has fallen into place for Pakistan's \$1.6bn Hub power project which will add 13 per cent to the country's generating capacity by 1997.



The project, in which Britain's National Power invested \$100m for a 25 per cent equity stake, will almost certainly go down as a landmark in the private sector financing of infrastructure development in the third world.

Negotiated through eight changes of government in Pakistan, it required legal documentation weighing 28kg a set. So large was the cast involved that at one stage new participants found it virtually impossible to find a lawyer in London who was not constrained by conflict of interest.

Out of all this has come what National Power describes as a "trail-blazing" deal for financing private sector infrastructure projects that pioneers the use of World Bank resources. Traditionally it lends only to governments.

According to Mr Patrick Crawford of Morgan Grenfell, which advised on the deal, it has also involved the first successful international equity offer for a power station which had yet to be built.

Last but not least, the sponsors, including National Power and Xcel, a Saudi company which originally conceived the project, have had to reconcile awkward clashes between western banking and Islamic law which bars interest-bearing transactions.

The deal was born out of the need to increase electricity supply in a country whose development has been impeded by chronic shortages of power but whose government lacks the

funds to develop new generating capacity. It provides for a consortium led by Mitsui and Ishikawajima-Harima Heavy Industries to build an oil-powered thermal power station with a gross capacity of 1,292MW. It will be operated by National Power.

Assembling the finance at a time when banks were unwilling to lend large amounts to developing countries was an awesome task. Essentially the structure involves a complex allocation of risk that prevents equity investors and lending banks having to shoulder too much of the burden.

Of the \$1.78bn raised for the project, including \$220m in standby credit, only \$175m has been raised from international and local equity investors and \$608m from international banks.

Thanks to guarantees provided by the World Bank, as well as France, Italy and Japan, the banks were spared the need to take on the political risk of default stemming from actions by the government. They have only taken on the commercial risk of the project itself. Despite its complexity, the 12-year credit proved popular and was more than twice

National Power takes another step

The Hub project marks an important step in National Power's ambitions to invest \$1bn (\$1.6bn) outside the UK by the end of the decade to compensate for loss of domestic market share to independent generators, writes David Lascelles. The privatised power generation company, the UK's largest, now has about 5 per cent of its generating capacity outside the UK, according to Mr Graham Hadley, managing director for international business development, and with Hub its overseas investment will amount to £250m. "That's starting to give us a track record", he said.

National Power's other investments include American National Power in Houston, the Pego coal-fired power station in Portugal, and a small share in a Spanish clean-coal technology plant. Projects in the pipeline include power stations in India and China. Mr Hadley saw prospects in the Netherlands, Spain, Portugal, Poland and the Czech Republic. The company is also looking at Morocco, Turkey, Thailand, Indonesia, the Philippines and Vietnam.

much as \$100m helped boost confidence. "When we started, we did not have a remit to invest overseas," says Mr Graham Hadley, National Power executive director. "We looked at Hub as we started to move more overseas and decided that this was a project where the investment would prove attractive."

Perhaps the most daunting task of all was to assemble the various inter-dependent agreements in such a way that they would become operative at once. "The debt was conditional on the equity and the equity was conditional on the debt, and everything was conditional on the World Bank and the sponsors. Someone had to blink first," says Mr Hadley.

What unlocked the bank loan in the end was Morgan Grenfell's decision, together with its parent Deutsche Bank, to underwrite the international equity issue instead of using the more conventional book-building approach.

Nonetheless the project remains a bold one. Up to 33 per cent of the power generated by Karachi Electricity Supply Corporation is lost in transmission line failures and power thefts, and many consumers have not paid their bills for years.

Since coming to office last year, the government of Mrs Benazir Bhutto has promised to press ahead with new laws to punish offenders and improve the quality of transmission facilities.

Investors in Hub will now wait to see whether the risk pays off. But, unlike Eurotunnel, that celebrated first-world project, Hub is running on schedule and within budget. There is even chance that Mr Hadley will be proved right when he says "the essence of what has been done here is eminently transferable. We will get this kind of package being put together again in Pakistan and other countries as well."

Bankers say the willingness of National Power to invest as

This week: Company news

EURO DISNEY
More red ink as Mickey waits for its Discovery

Euro Disney, the France-based theme park, is expected to report continuing heavy losses when it publishes its results for the year to September 30 on Thursday. Some analysts have predicted losses of more than FF1.6bn (\$312m), down from losses of FF1.5bn last year as the park continues to cope with its start-up costs.

The results will be the first since the park arranged a wide-ranging FF13bn restructuring with its banks in June which was 80 per cent subscribed.

Mr Philippe Bourgoignon, chairman, believes the results this year must be put in the perspective of the restructuring and will give little idea of its future likelihood of success.

He recently stressed that the park was still on target to break even by the end of the 1996 financial year, and that creditor banks were content with its performance so far.

Analysts and shareholders, however, will be closely examining many aspects of the results, and above all the attendance figures, which showed a downward decline in visitors to 9m last year from 9.6m the year before.

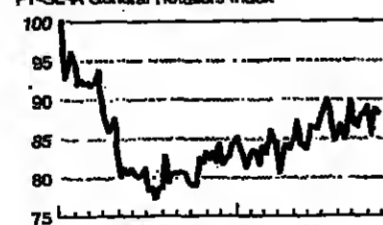
Euro Disney recently rejected reports driven by market speculation in the past few months that there had been a drop in attendance to fewer than 9m.

Other important aspects analysts will scrutinise include changes to the levels of expenditure by visitors to the park, and the impact of a large number of changes to the tariffs levied for hotels and restaurants.

The company is pinning its hopes on approaches including changes in management, a new marketing strategy and the opening next year of Discovery Mountain, its latest attraction.

Euro Disney's results come after Park Astérix, a smaller Paris-based theme park, reported that it had made profits for the first time this year, after opening in 1989.

Boots



Source: FT Graphite

BOOTS
Drugs arm's future holds the spotlight

Speculation over the future of Boots' pharmaceuticals division is expected to overshadow sharply improved interim figures from the UK retailing and drugs group on Thursday. Although the company is expected to highlight an increase of about 33 per cent in first-half profits, analysts are likely to focus on the outcome of the year-long review of the drugs business. The review was prompted by last year's withdrawal of the heart drug Manopax, which left a gap in products under development. Boots officials insist they are under no pressure to sell the business, which remains both profitable and cash generative. Options include disposal, merger or a joint venture.

Names touted as buyers include Zeneca, Britain's third-largest drug group, and Medeva, another UK drugs company. Their interest is understood to have waned in recent months, only to be replaced by speculation on possible bids from Knoll, the BASF subsidiary, and Menarini of Italy.

Interim pre-tax profits are forecast to have risen from £174.6m to about £235m (\$390m). Last year's figures were depressed by a £35m charge to cover the Manopax withdrawal and a £5.1m write-off on Asilone, an anticancer product. The chemists' chain, however, is expected to remain the most profitable division. Analysts expect an increased interim dividend of about 6.5p, against 4.9p last time.

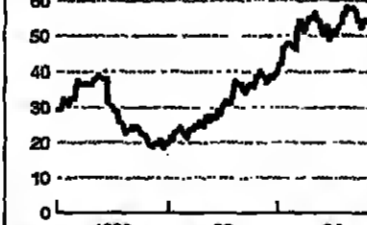
OTHER COMPANIES
Philips expected to double net profit

Philips: The Dutch electronics group will report third-quarter results on Thursday which are expected to confirm its return to financial health. Most sectors except communications systems are likely to have performed well. Forecasts call for a doubling of net profit from the FF1.83m (\$77m) reported in the same period of 1993.

■ Nissan Motor: The Japanese carmaker will announce half-year results on Friday. Although the company is seeing firm sales in the US market with a 17.2 per cent rise in unit sales in August, earnings have been hit by the poor performance in the domestic market. Its domestic registrations fell 3 per cent in July in spite of a 13 per cent rise in the overall market and industry analysts expect Nissan's market share to fall further because of the lack of new models. The company forecasts unconsolidated half-year sales to fall 3 per cent to ¥1,580bn (\$16bn), and expects to post recurring losses of ¥60bn.

■ DSM and Akzo Nobel: The Dutch chemicals groups are expected to benefit from the cyclical upswing that is boosting the worldwide chemicals industry when they publish third-quarter results tomorrow and on Wednesday, respectively. DSM, which recorded a loss in the 1993 third quarter, is expected to bounce back with a net profit before extraordinary

Philips Electronics



Source: FT Graphite

items of between FF100m and FF130m. Akzo Nobel's net profit before extraordinary items is forecast to rise to as much as FF370m from FF239m.

■ Scandinavian Enskilde Banken: Sweden's leading commercial bank is expected to put the country's banking crisis further behind it when it reports nine-month figures on Wednesday. The recovery has been driven by a sharp fall in loan losses, helping SE-Banken to compensate for sluggish lending and difficult bond market conditions.

■ Den norske Bank: Norway's biggest commercial bank will report nine-month figures tomorrow followed on Wednesday by Christiania Bank and on Friday by Uni Storebrand, the country's largest insurer. Results are expected to reflect continued improvement of the economy but could be hit by bond losses. Also due tomorrow is Helsingfors Nycomed, the pharmaceuticals group.

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This announcement appears as a matter of record only. October 1994

Recommended offer for

UAPT - Infolink plc

by

Equifax Inc.

Consideration £51 million

UAPT - Infolink plc advised by

Price Waterhouse

Corporate Finance

Price Waterhouse, No. 1 London Bridge, London SE1 9QL

Authorised by the Institute of Chartered Accountants in England and Wales to carry on investment business.

COMPANIES AND FINANCE

Caparo secures Sharon assets in \$26m deal

By Andrew Baxter

Caparo Group, the private UK steel and engineering concern, has clinched its bid to become a big player in the US steel market by buying most of the assets of Sharon Specialty Steel for \$26m (£16.4m) cash.

A US court has finally approved the offer for Sharon, which has been in Chapter 11 of the US Bankruptcy Code since November 1992.

The UK group, founded and chaired by Dr Paul Paul, the Anglo-Indian businessman, has paid a \$3.5m deposit and expects to complete the deal on November 15.

The purchase will end a long battle by Dr Paul to buy Sharon, based in the steel town of Sharon, Pennsylvania. In late July Caparo signed a letter of intent to buy Sharon, but slipped out of the running this autumn when a rival \$35m bid emerged. When this fell through, however, Caparo was left with the field clear.

Caparo already has some steel products businesses in the US, notably Bull Moose Tube, acquired in 1988. The Sharon acquisition, however,

will give Caparo its first steel-making facilities anywhere in the world.

Dr Paul estimates that Caparo will become a \$1bn company by 1996, with \$400m coming from Sharon. Last year, Caparo had world-wide group sales of \$380m.

Sharon, which has had a chequered past and formerly employed 2,000 people, is not currently producing steel. Dr Paul says he hopes to restart production by April, with about 500 workers. "I am delighted and relieved that we have finally bought Sharon," said Dr Paul, who has negotiated an agreement with the United Steelworkers of America on representation at the plant.

Apart from the purchase price, Caparo will spend an initial \$20m to restart production at Sharon. The plant will produce about 1.25m tons of steel a year, with 900,000 tons coming from its electric arc furnaces and the rest, initially, from bought-in slabs.

Electric arc furnace capacity will subsequently be increased. Caparo is not buying Sharon's blast furnace - Dr Paul says he does not want to inherit any environmental problems.

Fyffes buys £5m stake in Jamaican venture

By David Blackwell

Fyffes, the Dublin-based fruit and vegetables distributor, is to pay £5m (£4.94m) for 40 per cent of a new Jamaican banana company.

Jamaica Banana Holdings has been formed along with the Jamaican Government and Jamaica Producers Group, a Jamaican quoted producer, to acquire two large estates which together cultivate 3,000 acres of bananas.

The deal is part of the continuing privatisation of the Jamaican banana industry. The government is understood to have just 5 per cent of the new group.

Fyffes, which markets about a third of Jamaican banana production, said the existing arrangements would continue unchanged.

Earlier this week Fyffes made its sixth move in continental Europe in the last 18 months. It bought 50 per cent of Tropic International, a French fresh produce group which is expected to have sales of £30m this year.

The consideration is understood to be about £1.5m. The acquisition lifts Fyffes' total annualised turnover in France to £110m.

Fyffes is now jostling with Geest and Dole for second place behind Chiquita in the European fruit distribution market. In addition to France it operates in Spain, Denmark, Holland and Germany.

Gresham House in the red

Gresham House, the investment trust, reported net losses of £95,000 for the half year to end-June against profits of £1.17m including an exceptional £1.16m credit. Losses per share amounted to 2.2p (27.9p earnings).

Foreign investment jumped to \$32.5bn in the first nine months, says KPMG European groups 'on US buying spree'

By Nicholas Denton

UK, Swiss and other European companies have been on a buying spree in the US, according to a report by accountants KPMG Peat Marwick.

Led by Roche of Switzerland's \$5.3bn (£3.35bn) purchase of Syntex Corporation, foreign companies invested \$32.5bn (£20.5bn) in outright acquisitions in the US in the first nine months of this year. Deals into the US were higher than at any time this decade, according to KPMG.

Takeover activity across the Atlantic rose 126 per cent on the corresponding

period of 1993, said KPMG. Much of the increase came from deals of more than \$500m - the total number of transactions was little changed.

Transatlantic M&A deals, like US domestic transactions, have been concentrated in a few sectors where consolidation is advancing most rapidly.

With SmithKline Beecham of the UK buying Sterling Health, as well as Roche buying Syntex, deals in the chemicals and drugs sector amounted to \$11bn.

Sandoz of Switzerland paid \$3.7bn for Gerber Products, a US food company, underpinning \$6bn of acquisitions in

the food and drink sector.

"A combination of a relatively weak dollar and the fact that the US economy is leading the emergence from recession makes the US an attractive place to seek acquisitions," said Mr Richard Agutter, chairman of KPMG's corporate finance network.

Some investment bankers said the surge in transatlantic activity reflected no more than the vitality of the US market. "The basic fact is that the US M&A market is dramatically up," said Mr Stephen Hester, joint-head of European investment banking for CSFB. "That is just as true of domestic

as it is of transatlantic."

Investment bankers expect the flow of deals in the US to continue, as the restructuring that has driven acquisitions progresses. Some also report that US companies are beginning to look more seriously at expansion in Europe. "Interest is there, even though volume is flat," said an M&A specialist with one of the largest US investment banks. "We expect activity in the opposite direction to pick up considerably."

However, cross-border European M&A activity is at its lowest level for several years, according to a recent survey by Securities Data Company.

Caught with its defences down

Weakened by financial difficulties, Scantronic is ripe for takeover, reports Richard Wolffe

The alarm bells are ringing at Scantronic Holdings as potential bidders prepare to raid the security components group.

Shares have plunged from a high of 88p this year to 20p at the end of last week, as Scantronic's net debt climbed to £11.2m last June, up from £3.5m in March 1993.

Two weeks ago the company won shareholder agreement to raise £2.5m in new equity and borrowings. The deeply discounted offer of 16.1m shares at 10p is expected to raise £1.6m, and was a condition of new banking facilities of £1.6m.

The board announced there would be pre-tax losses of about £2.4m for the six months to September 30, against profits of £1.4m last year. It also declared there would be no dividend payments, including preference dividends, for this year.

Last week Menzies-Swain, the emergency lighting and alarms manufacturer, announced its interest in making a bid for Scantronic.

The company - which reported pre-tax profits of £9.36m on turnover of £70.3m in the year to April - purchased 500,000 Scantronic shares to raise its stake to 1.5m shares, or 4.49 per cent of the company.

Ruth Keatch, analyst at Granville Davies, said: "I don't think the Scantronic board enjoys any sympathy with the institutional shareholders."

"They had a good business in the UK: a leading brand with probably 50 per cent of the intruder alarm systems market. But they took their eye off the ball and went on a mission to expand in the US, which was truly disastrous."

Scantronic's cash difficulties began last year with the acquisition of Alarmexpress Holdings, the UK security equipment distributor. In December, Scantronic placed 1.7m shares to fund growth at the new subsidiary.

By April the board acquired 20 per cent of Aris, the US distributor of security products. The investment, along with the Alarmexpress acquisition

and expansion, cost Scantronic £5.3m.

In July the company announced the departure of its finance director, Mr Ray Dias, claiming that he had failed to alert the board to the twin impact of increased borrowing

operating profits fall from £3.3m to £2.5m, primarily due to lower sales to the Continent.

Patrick Hickey, analyst at Henderson Crosthwaite, said: "At the end of the day, this is a case of management overstretching its ability. The

borrowings. Given the history of the past six months, there has to be a consideration that there may be financial holes."

However, Mr John Singer, finance director, refused to comment on the company's financial position.

Alongside Menzies-Swain, there are rumours that Silvermines, the Dublin-based electrical services and property group, is interested in making a bid.

In February, Silvermines made an agreed offer of £5.17m for Molynx Holdings, the closed circuit television and security systems maker.

"Menzies-Swain would be a perfect buyer because they are big in emergency lighting and fire alarms, which is very similar to intruder alarm technology," said Ruth Keatch.

"Silvermines would also love to be bigger in the security systems market. If Menzies-Swain are serious they are the most credible bidder, but it could evolve into a bit of an auction if someone like Silvermines makes a bid."

'The tragedy is that it is basically a good business in the UK, but it is not a product for the US'

and difficult trading conditions.

The company announced pre-tax profits of £1.89m (£1.27m) for the year to March 31, compared with a statement in July that it would make profits of at least £2.75m.

Turnover rose from £39.1m to £50.2m, but the core UK manufacturing business saw

tragedy is that it is basically a good business in the UK, but it is not a product for the US.

"Earlier this year they ran into problems because of a lack of financial controls. They ended up with a lot more stock and a lot less cash than they thought."

"There are also very heavy

NEWS IN BRIEF

BARIS HOLDINGS has received applications for 3.72m of the 7.98m shares available in its recent \$40-83 placing and open offer. The take-up represents about 66.4 per cent of the total offered, other than the 2.38m which were subject to an irrevocable commitment not to subscribe. Subscribers have been procured for the outstanding 4.27m shares.

CHARNOS pre-tax losses jumped to £2.2m (£67,000) in the six months to June 25 on sales of £24.5m (£22.7m). Loss per share was 78.2p (22.9p).

The company, which makes hosiery and lingerie, said budgeted sales for the final weeks of the year should result in a pre-tax profit comparable to last time's £5.2m. It could not make a firm prediction because of uncertain factors.

EUROCOPY, the photocopier supplier, has acquired Copycity Midlands for £1.42m cash. The price includes repayment of intercompany debts.

FINSBURY UNDERWRITING Investment Trust shareholders

have approved a change to its investment policy enabling it to invest in corporate members of Lloyd's syndicates in corporate form and managing agents.

HEATH (CE) Heath Shipping Services, group's investment property subsidiary, has sold its effective interest in two commercial properties in Corby, Northants. Net proceeds amount to some £5.4m, surplus of £600,000 over original cost.

KENMARE RESOURCES has completed a placing of 4.1m ordinary shares, 95,238 of which have been bought by Mr Michael Carvill, managing director. The £430,000 raised will be used for the ongoing operations of the group.

LADBROKE GROUP has sold its 45,600 sq ft Charter Court office development in Slough to AMP Asset Management for £11.1m, a small discount to book value.

MENSTON INVESTMENT owns or has received valid acceptances in respect of its

offer for Aitken Hume International of 38m ordinary shares, 82 per cent of the issued share capital, and 4.09m preference shares (99.5 per cent). Offers are extended until November 22.

NORTHUMBRIAN RESIDENTIAL Properties has received acceptances for First Manchester Properties offer in respect of 555,000 shares, representing 85.25 per cent of FMF's issued share capital. Of this total, elections have been received in respect of 281,800 shares to accept the partial cash alternative. The partial cash alternative is now closed and the offer is unconditional.

OSPREY COMMUNICATIONS is buying Roger Maber & Associates, a Hampshire-based advertising company, for up to £665,000 in shares.

QUICKS GROUP has acquired the Dundee operations of Corridor's Garage for £1.8m cash. The deal includes the purchase by Quicks of trade debtors estimated to total some £300,000.

GrandMet plans more expansion

Grand Metropolitan, the food and drinks group, plans a further expansion in central Europe of International Distillers & Vintners, its world-wide drinks business.

IDV Slovakia has been established to control the importation and distribution of all IDV brands sold in Slovakia, which together with the Czech Republic forms a significant market for the Malibu brand.

Daks Simpson rises to £1.95m

Daks Simpson Group, the clothing maker acquired by Sankyo Seiko in 1991, reported improved pre-tax profits of £1.95m on turnover of £36.1m for the six months to July 31.

Profits last time amounted to £1.21m on sales of £30.5m. Earnings per share rose from 9.82p to 14.59p.

The production capacity of the two Scottish factories has been increased with the creation of 250 jobs.

CROSS BORDER M&A DEALS

BIDDER/INVESTOR	TARGET	SECTOR	VALUE	COMMENT
Air Products (US)	Carburos Metalicos (Spain)	Industrial gases	£279m	Buying from Banesto
Daewoo (S Korea)/Automobile Craiova (Romania)	Rodas Automobile Daewoo (JV)	Car manufacture	£192m	New foreign investment benchmark
Scottish Pharmaceuticals (US)	Porton International (UK)	Pharmaceuticals	£96.3m	Trumping Ipsen bid
DSC Communications (US)	NKT Elektronik (Denmark)	Telecoms equipment	£91m	DSC wants a lead position
Tenneco (US)	Heinrich Gbitt (Germany)	Auto components	£71m	Boosting Euro-presence
Beaufort Ipsen (France)	Porton International (UK)	Pharmaceuticals	£65.5m	Board-recommended bid
Morgan Stanley (US)/People's Construction Bank (China)	CICC (JV)	Banking	£63.2m	Investment bank venture
SGS-Thomson (UK/Italy)/Shenzhen SEG (China)	JV	Semiconductors	£48.4m	50/40 ownership split
Remtek (UK)	Folliga Plant Systems (US)	Plant services	£5m	Indoor plants expansion
Newman Tonks (UK)	Randi Fabrikkerne (Denmark)	Architectural hardware	£3.1m	Continues European growth

Credito Italiano

A joint stock company - Registered Office: Via Dante 1, Genoa - Head Office: Piazza Cordusio, Milan Capital Lit 800 billion
Registered with the Banks Register and belonging to the Credito Italiano Banking Group

NOTICE

- STOCK INCREASE FROM I.T.L. 800 BILLION TO I.T.L. 1,120 BILLION.
- ISSUE OF "CREDITO ITALIANO 8% 1994-2000 SUBORDINATED CUM WARRANTS ATTACHED" BONDS WITH A TOTAL PAR VALUE OF I.T.L. 500 BILLION.
- ISSUE OF 640 MILLION "WARRANTS FOR CREDITO ITALIANO ORDINARY SHARES 1994-1997", 320 MILLION OF WHICH ARE LINKED TO THE SHARES IN POINT 1, WITH THE REMAINING 320 MILLION LINKED TO THE BONDS IN POINT 2.
- STOCK INCREASE OF ANOTHER I.T.L. 320 BILLION MAXIMUM THROUGH THE ISSUE OF ORDINARY SHARES RESERVED FOR EXERCISE OF THE WARRANTS IN POINT 3.

RULING OF THE BOARD OF DIRECTORS

- increase stock by I.T.L. 120 million by issuing No. 640 million ordinary shares to be assigned to shareholders at a ratio of 2 new shares for every 5 shares of any class held, at a price of I.T.L. 1,500 per share, including a surcharge of I.T.L. 1,000. Warrants are attached to the new shares at a ratio of 1 warrant for every 2 shares, valid for subscribing ordinary shares as described below in point "c";
- issue subordinated bonds known as "Credito Italiano 8% 1994-2000 subordinated cum warrants" for I.T.L. 500 billion, representing 320 million bonds with a par value of I.T.L. 1,750 each, to be assigned to shareholders, at par, at a ratio of 1 bond for every 5 shares of any class held, a warrant is attached to each bond, at a ratio of 1 warrant for each bond, valid to subscribe to the ordinary shares mentioned in "c" below;
- increase stock further by a maximum of I.T.L. 320 billion by issuing a maximum of 640 million ordinary shares, in one or more times, 320 million of which linked exclusively to the exercise of the warrants linked to the shares in point a, above and the remaining 320 million linked exclusively to the exercise of the warrants linked to the bonds in point b, above. The shares linked to the bonds have the same characteristics and carry the same rights as those linked to the shares and are fungible with the latter.

The resolution passed by the Board of Directors was approved by the Genoa Courts on October 11, 1994 with Decree No. 2393.

MAIN CHARACTERISTICS OF THE SECURITIES OFFERED

WARRANTS

Name: "Warrants for Credito Italiano Ordinary Shares 1994-1997".

Amounts issued: A total of 640 million, linked to No. 320 million new ordinary shares issued in the subordinated bonds. The warrants will be in the form of bearer certificates in the following denominations: 1, 5, 10, 20, 100, 500, 1,000, 5,000 and 10,000 warrants and in variable denominations at request.

Conditions, terms, methods and prices for exercising the warrants: The exercise of the warrants is governed by the specific "Regulations". Holders of warrants may, at any time, starting the day after their issue and up until December 31, 1997, by presenting a request no later than November 30, 1997, subscribe to ordinary Credito Italiano shares carrying regular rights, in the ratio of 1 share per value I.T.L. 500 for each warrant, at a price of I.T.L. 1,750, of which I.T.L. 1,250 surcharge, with the right reserved to make changes to the exercise terms in the case of further capital increases resolved by Credito Italiano as envisaged by Art. 3 of the Regulations. Eighteen (18) months after the issue date, those wishing to exercise warrants will have the right to ask Credito Italiano, at the same time as they present the request to exercise, to purchase from them "Credito Italiano 8% 1994-2000 subordinated cum warrants" bonds of the issue, without warrants and free of any restrictions or charges and must include coupons already in progress as well as the subsequent coupons, in a number which must not exceed the number of warrants presented to be exercised. The bonds will be purchased with effect the same day as that passed for subscribing the shares - at par value, along with the interest maturing from the date of effectiveness of the coupon in progress on the date of sale, with taxes deducted. Revenue stamps relating to the purchase of bonds will be paid by Credito Italiano. Requests to exercise warrants must be presented, together with the warrants themselves, to any branch of Credito Italiano or to Monte Titoli SpA, relative to those securities administered by them, or to one of the authorized banks/intermediaries.

The exercise of warrants will be carried out on the last business day of the month following that in which the request was presented. The subscription price of the shares must be paid when presenting the right to exercise, and will be free of any and all commission and charges for the presenter.

Suspension of the right to exercise: The exercise of warrants will be suspended as of the date of the resolution passed by the Board of Directors of Credito Italiano to call a Meeting of the Shareholders holding ordinary shares, until the day after the date of the last shareholders' meeting called, and in any case, up until the day following that on which any dividends which the Meeting may resolve upon, have been paid.

Terms for forfeiture: The right of warrant holders to subscribe to ordinary Credito Italiano shares must be exercised by December 31, 1997, under penalty of forfeiture, with requests being presented on or after November 30, 1997. Warrants not presented for exercise will forfeit any and all rights and will completely lose their value.

Listing: Listing on the Italian Stock Market's telematic system will be requested of CONSOB.

US SELLING RESTRICTIONS

The Rights, the new Shares, the Warrants (including the Shares issuable upon their exercise), and the Bonds have not been and will not be registered under the U.S. Securities Act of 1933 (the "Act"). Subject to certain exceptions, these securities may not be offered, sold, taken up or delivered, directly or indirectly, within the United States or by, or for the account or benefit of, U.S. persons as part of the offering. In addition, the Warrants may not be exercised in the United States or by, or for the account or benefit of, U.S. persons.

CREDITO ITALIANO

International Bank for Reconstruction and Development
ECU 450,000,000
Floating Rate Notes due 2002
In accordance with the provisions of the Notes, notice is hereby given that the Rate of Interest for the three month period ending 31st January, 1995 has been fixed at 5.37109% per annum. The interest accruing for such three month period will be ECU 68.63 per ECU 5,000 Bearer Note, and ECU 1,372.61 per ECU 100,000 Bearer Note, on 31st January, 1995 against presentation of Coupon No. 11.
Union Bank of Switzerland
London Branch Agent Bank
27th October, 1994

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Notes are hereby given that the Rate of Interest has been fixed at 5.8125% and that the interest payable on the relevant Interest Payment Date January 31, 1995 against Coupon No. 40 in respect of US\$1,000,000 nominal of the Notes will be US\$148.54.
October 31, 1994, London
by Citicorp, N.A., Branch Services, Agent Bank
CITIBANK

Alliance & Leicester
Alliance & Leicester Building Society
£40,000,000
Subordinated Floating Rate Notes 1998
For the six months 31st October, 1994 to 28th April, 1995, the Notes will carry an interest rate of 7.2375% per annum with an interest amount of £17,746.75 per £500,000 Note, payable on 28th April, 1995.
Listed on the London Stock Exchange
Bankers Trust Company, London, Agent Bank

Daiwa International Finance (Cayman) Limited
US\$200,000,000
Subordinated Floating Rate Notes due 2001
Guaranteed on a subordinated basis by The Daiwa Bank, Limited
Interest Period 31st October, 1994 to 31st January, 1995
Number of days 91 days
Interest Rate 5.9675% per annum
Coupon Amount of each Note US\$150.00
The Daiwa Bank, Limited
London Branch
as Agent Bank

COMPANIES AND FINANCE

Hungary considers early sale of telecom shares

By Nicholas Denton

Hungary is considering a quick sale of state shares in Matav, the national telecommunications company, that would dwarf all previous international equity offerings to come out of eastern Europe.

At the top of the agenda is a proposal to sell up to 10 per cent of Matav through a private placement with international institutional investors which could raise up to \$300m.

Finance ministry and Matav officials said they had not reached a final decision but were exploring options, including that of a private placement.

"That is the question we are discussing night and day," said Mr Mark von Lilienskiöld, an executive director of Matav.

A closed offer of Matav shares targeted at western pension and emerging market funds would provide a forerunner of a more comprehensive initial public offering planned for 1995-1996. The mandate to

advise on the initial placement is expected to be one of the most lucrative awarded in the region and hotly contested by investment banks.

Although about \$40m in western portfolio investment has flowed into Russia and other east European countries in the last year, most equity has been purchased in small tranches on secondary markets.

The sale of \$200m to \$300m worth of Matav would far surpass the \$70m issue by Hungarian retailer Fozex to become the largest single international equity offering by an east European company.

An issue of this scale is too much to be absorbed solely by funds specialising on eastern Europe or emerging markets in general. Mainstream pension funds, however, are expected to require more complete accounts than Matav can provide at the moment.

Budgetary difficulties have encouraged the Hungarian authorities to bring forward

the Matav privatisation. The new Socialist government has declared it will use privatisation revenues to pay down the national debt.

Deutsche Telekom of Germany and Ameritech of the US, which last December took a joint stake of 30 per cent in Matav, have also softened their opposition to an early offering.

Ameritech in particular had opposed a quick flotation because the price would have been below that at which it entered and it would have had to write down its investment.

Salomon Brothers, hired by Matav to study an IPO, recommended that it wait until late 1995 or early 1996.

However, Deutsche Telekom and Ameritech now appear ready to accept a compromise whereby the government gets rapid proceeds through a private placement but a full IPO takes place in a more leisurely fashion. They are also discussing a possible increase in their stake.

JVC sees return to the black this year

By Michio Nakamoto in Tokyo

JVC, the Japanese manufacturer of consumer audio-visual equipment, has posted a recurring first-half loss and passed its interim dividend. The group, however, managed to increase sales slightly in an extremely competitive market.

Non-consolidated sales in the six months were ¥259.7bn (\$2.66bn), compared with ¥261.4bn a year earlier. However, JVC still suffered a loss of ¥1.9bn, although this was an improvement over the ¥3.8bn loss made in the previous first half. The net loss was cut to ¥2.9bn from ¥10.6bn.

JVC, which has been undergoing restructuring, said the year's rapid appreciation against leading currencies had offset efforts to reshape the company.

In addition, JVC, like other Japanese consumer electronics groups, has faced tougher competition in its own market.

The consumer electronics market in Japan has been increasingly characterised by lower-priced products as consumers hold back from expensive purchases. Cheap audio-visual products have been coming into the country from lower-cost countries in the rest of Asia.

JVC said it expected further turbulence as the yen continued to remain at a high level while competition in the audio-visual market was likely to remain fierce.

It is forecasting that sales in the full year will reach ¥500bn, against ¥507.7bn, and hopes to return to the black with recurring profits of ¥1bn, against a loss of ¥19.5bn.

Bologna bank fights L2,000bn bid

By Robert Graham in Rome

Credito Romagnolo, the Bologna-based regional bank, is expected to call in foreign advisers to help ward off a hostile bid by Credito Italiano, Italy's fifth largest commercial bank.

The bid, offering L15,000 per share for 48.2 per cent of Credito Romagnolo's stock, was rejected at a special board meeting on Friday. If Credito Italiano were successful it would create Italy's largest private bank.

The offer by Credito Italiano is worth L2,000bn (\$1.3bn) and was launched last Wednesday

after concerted buying of Credito Romagnolo stock. Credito Italiano holds just over 2 per cent of the shares.

The move has already profoundly shaken the banking sector.

Credito Romagnolo, which is controlled by a core of shareholders led by Olivetti chairman Mr Carlo De Benedetti, is understood to be considering recruiting at least one and perhaps two foreign advisers.

Those being mentioned over the weekend included Morgan Stanley and Goldman Sachs International.

Their task would be to assess the value of Credito Romagnolo and to draw up a possible list of "white knights" that might be interested in helping fight the takeover.

Under existing statutes, no shareholder of the Bologna-based bank can own more than 10 per cent.

Credito Italiano would need the support of at least 20 per cent of the shareholders to call a special meeting to amend the statutes and allow majority control.

Objections to the deal have centred on the price and the threat to Credito Romagnolo's identity.

Although the price represents a sharp premium on the

L13.674 pre-bid value, those shareholders tempted to sell are thought unlikely to accept the first offer - not least because it covers less than half the stock.

The stronger objection comes from those who believe a highly profitable regional bank such as Credito Romagnolo risks losing its identity in the bigger and more ungainly Credito Italiano.

Local Bologna politicians have begun to organise a campaign to prevent the bank being taken over, in spite of Mr Lucio Rondelli, chairman of Credito Italiano, saying that such fears were unfounded.

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Benetton-led move changes shape of Italian retailing

By Robert Graham

The shape of the Italian stores market will change significantly as a result of IRI, the state holding company, awarding its GS-Autogrill group to a consortium headed by Benetton, the clothing group.

The IRI-Swiss consortium, headed by Benetton, put in the winning bid for GS-Autogrill, the last part of the SME foodstuffs group to be privatised, late last Thursday.

The deal marks the first large scale diversification by Benetton into a new area of business. It also signals the entry of a new foreign player, Movimex, the Swiss hotel and restaurant group, into a sector whose development lags behind other EU countries.

The winning consortium also includes Mr Leonardo Del Vecchio, whose Luxottica spectacles group has been one of the most successful business ventures in northern Italy. Like the Benetton family, this repre-

sents a considerable diversification.

The award will be ratified by a special IRI shareholders meeting on November 4. Until then the treasury, the sole shareholder, has indicated it would not reveal the terms of the deal. However, the bid by the IRI-Swiss consortium is believed to have valued GS-Autogrill at L2,100bn (\$1.33bn), some L300bn above its market capitalisation.

The bid was won against strong competition from a purely Italian consortium headed by Rinascente, the stores group controlled by the Agnelli family. In choosing the IRI-Swiss consortium IRI appeared to be swayed by a desire to bring in new blood.

Originally, premier Silvio Berlusconi's Fininvest group, which has a large stores division through Standa, was interested. But analysts said Standa did not pursue a bid partly because of concern over raising a conflict of interest

between Mr Berlusconi's ownership of Standa and his role as prime minister.

GS-Autogrill is the last of the three divisions owned by SME, the foodstuffs group that has been privatised by IRI over the past 18 months. The other two were Italgel (frozen foods) and Ciro Bortoli De Riva (condensed foods, oil, and milk). In 1993 GS-Autogrill made a L132bn net profit on turnover of L4,068bn.

IRI controls 62.3 per cent of SME, and the offer was for 32 per cent. The winning consortium will be obliged to launch an offer for at least 20 per cent of the minority shares; IRI has guaranteed to sell the bulk of its remaining holding to the consortium.

One of the terms of the award is understood to be a commitment to keep the stores and restaurant elements of GS-Autogrill together for five years. One of the attractions of the group has been to split the two.

Disposals keep Vard out of red

By Karen Fossil in Oslo

Vard, the struggling Norwegian cruise group, saw pre-tax losses, before extraordinary items, widen to Nkr108.4m (\$16.52m) for the nine months to September, from Nkr79.3m last time.

However, the figures were distorted by the disposal of the ferry business and the sale of one cruise ship. This resulted in one of Vard's three cruise businesses being sold and the remaining two being reorganised.

The pre-tax result, after extraordinary items, was a profit of Nkr542.1m, against a loss of Nkr146.5m last year. There were extraordinary gains of Nkr650.4m, against charges of Nkr69.6m a year earlier.

Group operating profit slipped to Nkr440m from Nkr479m as sales fell by Nkr379m to Nkr5.08bn.

Net profit was Nkr390.28m, against a loss of Nkr107.21m.

Argentaria profit edges higher

By David White in Madrid

Consolidated earnings at Argentaria, the majority state-controlled Spanish banking group, edged up by 2.1 per cent before tax in the first nine months of the year to Ptas3,538m (\$64m).

Net profit, excluding minority interests, showed a stronger rise of 8.8 per cent to Ptas7,72m.

The results came after a 19 per cent increase in loan recoveries to Ptas1,69m and a 46 per cent reduction in provisions for loan losses and country risk to Ptas35.5m.

This was offset by sharply lower earnings from securities, which fell by 88 per cent to Ptas3,33m from Ptas22.54m.

Operating income for the nine months improved by 20.5 per cent to Ptas101.67m. The group, in which the government stake is due to be reduced to a minority through a further share offering next year, said this reflected a "satisfactory" performance in ordinary banking business and success in containing costs.

The next privatisation tranche, originally expected this year, has been put back because of the weak stock mar-

ket trend, and is now not expected before the spring.

Almost 50 per cent of the shares were sold in two placements last year, raising Ptas296bn for the Spanish treasury.

The group has launched a Ptas5bn investment plan to expand its retail banking network over the next three years. This follows its failure in April to take over the troubled Banco group, which went instead to Banco Santander.

Argentaria's total assets at the end of September stood at Ptas1,100m, 7 per cent higher than a year earlier.

NEWS DIGEST

Esselte ahead at nine months

Esselte, the Swedish office products group, saw profits rise by 27 per cent to SKr261m (\$36m) from SKr205m in the nine months to September, writes Christopher Brown-Humes in Stockholm.

Sales advanced by 2 per cent to SKr8.82bn and margins improved but sales in the US, its most important market, were affected by a product substitution programme. Lower hedging income increased costs by SKr40m to SKr143m.

The company expects full-year profits to be around SKr400m, compared with SKr301m last year.

Mr Bo Lundquist, chief executive, said sales had developed well in western Europe and the Far East. "The market for office products is continuing to increase, while the market for graphic art products is declining," he added.

The strongest divisional performance came from Esselte Dyno, the main office products unit, where operating profits rose to SKr215m from SKr197m.

NBH warns of downturn

North Broken Hill Peko, the Australian resources group, has warned shareholders that it expected a fall in profits in the current year, due to lower iron ore prices and the absence of any early improvement in the uranium market, writes Nikki Tait in Sydney.

Mr Michael Dealey, NBH Peko chairman, told the company's annual meeting that the Northparkes mine would not start copper production until 1995-6. Meanwhile, he said, exploration expenditure would be rising.

He conceded that group sales would strengthen generally as economic growth picked up in the industrialised world, but said that the group expected operating profits to be "slightly

below" those of 1993-4. "We do not expect significant abnormal profits to arise during the year," he added.

In the year to end-June, North Broken Hill Peko made an operating profit after tax of A\$185.3m, (US\$136.2m) which included net abnormal profits of A\$65.2m.

Malaysian sales by East Asiatic

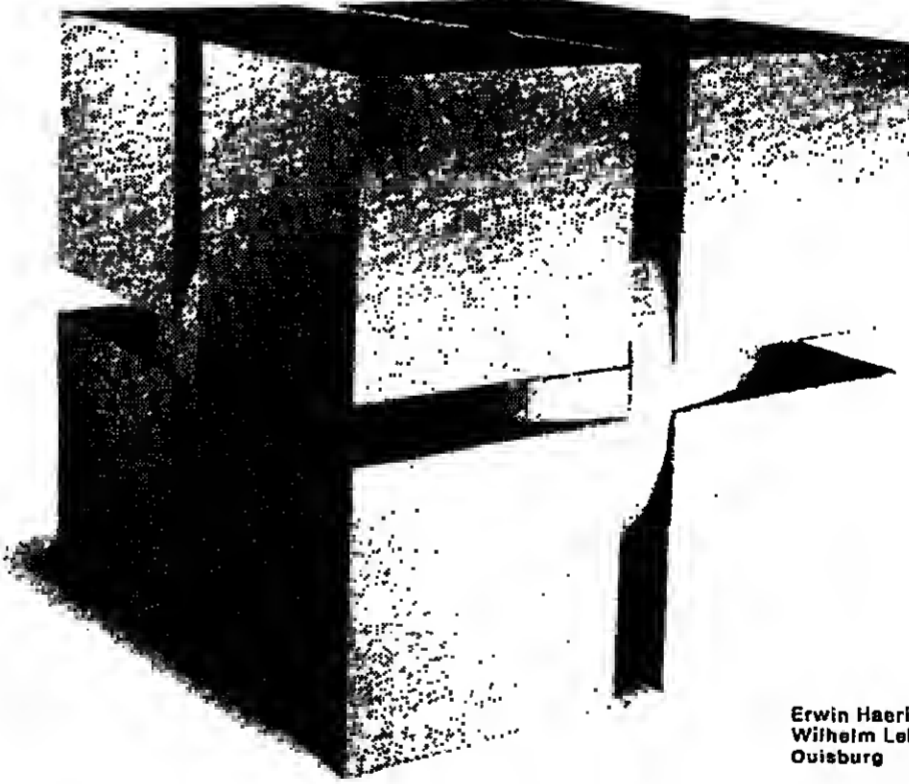
The East Asiatic Company, the Danish-based trading group, has sold its Malaysian plantation interests and its 25 per cent share in the Carlsberg Brewery in Malaysia to Malaysian Mosales, a locally listed investment group, writes Hilary Barnes in Copenhagen.

The deal will give East Asiatic an extraordinary profit of DKr600m (\$100m) and cash proceeds will be about DKr1.1bn.

The agreements involve the sale of all EAC's shares in EAC (Malaysia) Berhad and buying back shares in parts of the business EAC wishes to continue to operate.

FRANKFURTER HYPO

The Pfandbrief ■ Eight strong arguments for our product



Erwin Haerich, no name, Wilhelm Lehmbruck Museum Duisburg

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CITICORP

U.S.\$350,000,000

Subordinated Floating Rate Notes Due November 27, 2005

Notice is hereby given that the Rate of Interest has been fixed at 5.1% in respect of the Original Notes and 5.1875% in respect of the Enhancement Notes, and that the interest payable on the relevant Interest Payment Date November 30, 1994 against Coupon No. 108 in respect of US\$10,000 nominal of the Notes will be US\$42.50 in respect of the Original Notes and US\$42.23 in respect of the Enhancement Notes.

U.S.\$500,000,000

Subordinated Floating Rate Notes Due October 26, 2005

Notice is hereby given that the Rate of Interest has been fixed at 5.1% and that the interest payable on the relevant Interest Payment Date November 30, 1994 against Coupon No. 109 in respect of US\$10,000 nominal of the Notes will be US\$42.50.

U.S.\$500,000,000

Subordinated Floating Rate Notes Due January 30, 1996

Notice is hereby given that the Rate of Interest has been fixed at 5.075% and that the interest payable on the relevant Interest Payment Date November 30, 1994 against Coupon No. 106 in respect of US\$10,000 nominal of the Notes will be US\$42.29.

October 31, 1994, London
By: Citicorp, N.A. (Issuer Services), Agent Bank **CITIBANK**

Espirito Santo Financial Holding S.A.

U.S. \$100,000,000

Floating Rate Notes due 1996

In accordance with the provisions of the Notes, notice is hereby given that the Rate of Interest for the six month period ending 28th April, 1994 has been fixed at 7% per annum. The interest accruing for such six month period will be U.S. \$3,480.56 per U.S. \$100,000 Note against presentation of Coupon Number 8.

Union Bank of Switzerland
London Branch Agent Bank

27th October, 1994

CENTRALE NUCLEAIRE EUROPEENNE

A NEUTRONS RAPIDES S.A. - NERSA FRF 400,000,000

GUARANTEED FLOATING RATE NOTES DUE 1997

For the period October 28, 1994 to January 31, 1995 the new rate has been fixed at 5.725 % p.a.

Next payment date: January 31, 1995

Coupon nr: 23

Amount: FRF 302,15 for the denomination of FRF 20 000

FRF 1510,76 for the denomination of FRF 100 000

THE PRINCIPAL PAYING AGENT SOGENAL SOCIETE GENERALE GROUP
15, Av. E. Reuter - LUXEMBOURG

Republic of Italy

ECU1,000,000,000

Floating rate notes due 2005

Notice is hereby given that the notes will bear interest at 5.875% per annum from 31 October 1994 to 31 January 1995. Interest payable on 31 January 1995 will amount to ECUs7.07 per ECU5,000 note and ECUs70.69 per ECU50,000 note and ECU1,501.39 per ECU100,000 note.

Agent Morgan Guaranty Trust Company

JPMorgan

ECU 900,000,000

Kingdom of Belgium

Floating Rate Notes due 2000

For the period from October 31, 1994 to January 31, 1995 the Notes will carry an interest rate of 5% per annum with an interest amount of ECU157.50 per ECU100,000 Note. The relevant interest payment date will be January 31, 1995.

Agent Bank

BANQUE PARIBAS

Wells Fargo & Company

US\$200,000,000

Floating rate subordinated notes due 2000

The notes will bear interest of 5.25% per annum for the interest period 31 October 1994 to 30 November 1994. Interest payable on 30 November 1994 will amount to US\$43.75 per US\$10,000 and US\$43.75 per US\$50,000 note.

Agent Morgan Guaranty Trust Company

JPMorgan

THE WEEK AHEAD

DIVIDEND & INTEREST PAYMENTS

■ TODAY

Abbott Mead Vickers 4.5p
Alexon 5% Pt. 1.75p
Allied Irish Bks. Prim. Cap.
FRN \$136.72
Applied Distribution 1.3p
Armour Tst. 1.42p
Baldwin 1.6p
Baltic 1p
Bankers Inv. Tst. 8% Db. '23
E4.0
Do. 10 1/4% Db. 2016 E5.25
Bank Nova Scotia Ftg. Rate
Db. 2000 E145.63
Belleys 10% Cm. Pt. 5p
Blundell-Parr. 74% Un.
Ln. '90/95 E3.625
Brit. Gas Int. 9 1/4% Gtd. Bd.
'01 CS85.0
Bruncliffe Aggregates 0.4p
BSM 2.15p
Burmah Castrol 6% Cm. 1st Pt.
2.1p
Do. 8% Cm 2nd Pt. 2.1p
Do. 8% Cm. Pt. 2.5375p
Burns Phil. Treas. 5 1/4% Gtd.
Sb. Bd. '04 E166.52
Caldwell 2.9p
Campbell Soup 0.26p
Capital Shop. Centres 6% Sb.
Bd. '06 3.757p
Chemical Banking 0.44p
Chemring 4.9% Cm. Pt. 2.45p
Citicorp Retrac. Nts. Oct. '96
E430.10
Clibor 1997 \$157.03
Colliers Ind. Mfg. Sec. 4 Mtg.
Bd. '97 E27.01
Do. 6 Mtg. Bkd. FRN '27
E212.41
Do. 12 Class A Mtg. Bkd. FRN
'28 E98.11
Cookson 7% Non-Cm. Pt.
1.225p
Creston Land 6% Cv. Ln. 3p
Daiva Int. Fin. 8 1/4% Sb.
Bd. '03 E8375.0
Do. Sb. FRN 2001 E1334.93
Dartmoor Inv. 6 1/4% RPI-Ltd
Db. '05 E3.635
EFT 0.525p
Electron House 2p
El Oro Mining 20p
Eng. Prop. 8 1/4% 1st Mtg.
Db. '97/2002 E4.9375
ERF (Hldgs) 10% Cm. Pt. 5p
Estates Prop. Inv. 10% 1st.

Mtg. Db. '11 E5.0
Do. 10% Sec. Ln. 93/98 E5.0
Evans of Leeds 11% 1st Mtg.
Db. '25 E5.50
Exploration 10p
Export-Import Bk. Japan 9%
Gtd. Bd. '96 E90.0
First Leisure 2.12p
F & G Special Utilities Inv. 1.1p
Fortage Units 1.1p
Fort 9.1% Un. Ln. 95/2000
E4.55
Gartmore Value Invs. 12.34%
Db. '95 E1.7p
Gen. Motors Acc. Can. FRN
Nov. '96 CS437.69
Global Stock Invs. Ptg. Pt.
Dollar Cash Port. \$0.175
Do. European Equity Portfolio
DMO.255
Do. Far East Equity Port. \$0.30
Do. Global High Inc. Port.
\$0.25
Do. Japanese Small Co's
Portfolio \$0.125
Do. UK High Inc. Port. 13p
Do. US Small Co's Port. \$0.16
Do. Greenpeace Trott 2p
Growth Dev. 7 1/2% Cv. Ln.
'99 3.75p
Gulldale Prop. 6% Cm. Pt.
2.1p
Guinness Fin. 9 1/4% Gtd.
Nts. '98 CS86.25
Holt (Joseph) 12p
IGN Pharm. 6 1/4% Sb. Bd. '01
E33.75
Independent Insurance 4p
Intermedial Cap. 3.75p
Jackson (Wm) 7 1/4% Cm. Pt.
2.625p
Japan Air. 5.45% Bd. '02
Y45000.0
Do. 5.5% Bd. Oct. 2003
Y55000.0
Kansai Int. Air. 8 1/4% Gtd.
Bd. '99 E312.50
Do. 9% Gtd. Bd. '96 \$450.0
Lassmo Oil Prod. Units 3.317p
Latham (James) 8% Cm. Pt.
4p
Legal & Gen. 8 1/4% Cv. Sb. Bd.
'08 E33.75
Lionheart 7% Cv. Pt. 3.5p
Litho Supplies 2.73p
Lon. Merchant Sec. 7 1/4% Cv.
Un. Ln. 2000/05 E3.875
Lowes \$0.045
Mayne Nickless A\$0.17

McAlpine (A.) 8% Cm. Pt. 4.5p
Mitsubishi Chem. 4.4% Nts.
'97 Y440000.0
Nat West Bank Var. Rate Cap.
Nts. 2000 E1387.15
Newarthill 6.775% Cm. Pt.
3.3875p
NHL (1) Dtd. Int. Mtg. Bkd.
FRN '28 E118.20
Nova Scotia (Prov.) 16 1/4%
Ln. '11 E3.375
Pacific Horizon Inv. Tst. 0.11p
Peel Hldgs. 9 1/4% 1st Mtg. Db.
'11 E4.5975
Peel South East 10% 1st Mtg.
Db. '28 E5.0
Do. 11 1/4% 1st Mtg. Db. '18
E5.6125
Do. 12 1/4% 1st Mtg. Db. 15/20
E6.25
Port. & Sunderland News. 6%
Cm. Pt. 3p
Do. 11 1/2% 2nd Cm. Pt. 5.75p
River & Merc. Tst. Stppd. Pt.
2.9549p
Royal Bk. Can. Ftg. Rate Db.
'05 E43.59
Scottish Inv. Tst. 4% Db. E2.0
Do. 4 1/4% Db. E2.125
Do. 5% Db. E2.50
Scottish & New. 4.6% Pt. 2.3p
Do. 6.425% Pt. 3.2125p
Seagram Distillers 12 1/2% Db.
'12 E6.1875
Sec. Loan Fin. Mezz. Mtg.
Bkd. FRN '18 E183.76
Shires Inv. 4.1p
SI 104% Bc. 2001 E107.50
TMO PMS First Fin. No.2
Jul. '29 E150.30
Do. Issue No.5 Apr. 2029
E76.18
Do. Issue No.7 Jan. 2029
E72.27
Do. Issue No.4B Oct. 2029
E152.11
Toronto-Dominion Bank
CS0.20
Transamerica \$0.50
Transatlantic A Pt. 12p
Do. B 6% Pt. 3p
Do. 6 1/4% Sb. Bd. '09 3.2847p
TR City of Lon. Tst. 10 1/4%
Db. '20 E5.125
TR European Growth Tst. 1.7p
Do. Ptg. Sub. 1.7p
TR High Inc. Tst. 1.5p
Try 0.5p
USFG \$0.05

Vaux 7% Pt. 2.45p
Do. 4 1/4% A Pt. 1.575p
Do. 6 1/4% A Pt. 2.275p
Wellington Hldgs. 1.2p
Wells Fargo FRN 2000 \$45.21
Western Mining A\$0.04
WEW 10 1/4% Pt. 99/2002
5.25p
Wimpey (Geo) 2p
■ TOMORROW
Anglo Am. Ind. 5 1/4% Cm. 1st
Pt. R0.05825
APV 3.15% Pt. 1.575p
Do. 4.55% Pt. 2.275p
Do. 5.25% Pt. 2.825p
Astec (ESR) 0.4p
AT&T \$0.33
Bentley (James) A 1.5p
Bell Atlantic \$0.69
BellSouth \$0.69
BET 4 1/4% 2nd Db. E2.25
BPP Hldgs. 3.1p
Bristol 3 1/2% Db. E1.75
Britannia Grp. 0.5p
British Inv. Tst. 5 1/4% Pt.
E1.8375
British Mohar 6% Cm. Pt.
E1.8375
BT 1.8p
BTP Cv. Pt. 3.75p
Crestacore 0.26p
Dunedin World. Inv. Tst. 3.5%
Cm. Pt. E1.75
Edinburgh Inv. Tst. 7 1/4%
Db. '95 E3.75
Enterprise Oil 8.5p
Eschexor 3% Gas 90/95
E1.50
Exxon 1p
First Choice 1.4p
Fleming Inc. & Cap. Inv. Tst.
1p
Do. Units 1p
Fleming Mercantile Inv. Tst.
1.675p
Fyffes Cv. Pt. IR4.125p
Genifrance 11.31% Ln. '07
E56.55
Gibraltar 11 1/4% Ln. '05
E5.9375
GKN 8p
Goodwood, Chaucer Int. Est. Ldn.
Road, Bicester, Oxon. 10.00
NAL, Glasgow Hls. 9, Montague Close.
■ FRIDAY NOVEMBER 4
Sider, Cedar Court Hotel, Walsfield,
12.00

Mtg. Db. '18 E5.0825
Jackson Grp. 0.5p
King & Shaxson 5% Pt. 1.75p
Kleinwort Small. Co's Inv. Tst.
1.1p
Laird (J) 6.4% Cv. Pt. 3.2p
Lancaster Hldgs. 6% Cm. Pt.
1.05p
Do. 5 1/4% 2nd Pt. 2.8p
Do. 10% 3rd Pt. 5p
Lincoln National \$0.41
Lloyds Chem. Rd. Ptg. Pt.
2005 3.75p
Londonderry Port & Harbour
3 1/4% Cons. E1.75
Marshalls 10% Cm. Pt. 5p
Merchants Tst. 4% Parp. Db.
E2.0
Mid Southern Water 10% Db.
1995/98 E5.0
Montreal 3% Perm Db. E1.50
National Home Loans FRN '95
E1.47
Nottingham 3% Ind. E1.50
Nynex \$0.59
Oceana 4.71p
Pacific Televis \$0.545
Parkland 3.15% Pt. 1.575p
Pentland 1.25p
Reading 3 1/4% E1.75
Retail 6 1/4% 3rd Pt. 2.275p
Sanderson Bramall Motor 1p
Scottish Agric. Sec. 13% Db.
97/99 E6.60
Scottish Inv. Tst. 3 1/4% Cm. Pt.
E1.75
Do. 3.85% Cm. Pt. E1.925
Do. 4.55% A Pt. E2.275
Sema 1.8p
Singer & Friedlander 1.4p
Southwestern Bell \$0.395
Treasury 6 1/4% Ln. 95/98
E3.375
West Tst. 2.3p
Whitbread 4 1/4% 1st Pt. 1.575p
Do. 6% 3rd Pt. 2.15p
Do. 7% 3rd Pt. 2.45p
Wille Grp. 0.385p
■ WEDNESDAY
Assoc. British Ports 2p
GKN 8p
Henderson EuroTrust 1.85p
Do. Units 1.85p
Taylor Woodrow 0.75p
■ THURSDAY
Albany Inv. Tst. 1.35p
Bradford & Bldg. Bldg. Scty.
FRN Feb. '99 E143.38
Brightstone Prop. 1p

Cornewell Parker 4p
Do. A NVtg. 4p
DRS Data & Research 1p
Fairhaven Int. \$0.005
Gowings 1p
Haynes Publishing 5p
Headway 0.7p
Healthcraft 1.5p
Highcroft Inv. Tst. 2p
HTF Japanese Small. Co's Tst.
0.45p
Lloyds Smaller Co's Inv. Tst.
1.75p
Do. Package Units 1.75p
OGG Int. 1.8375p
Plasmac 1.5p
Rubicon 2.8p
Shell Trans 11.2p
Steel Burill Jones 3p
TT 10 1/4% Cv. Pt. '97 E5.4375p
Treasury 15 1/4% Ln. '96 E2.625
■ FRIDAY
BSW 3p
Baynes (Charles) 0.7p
Benson Grp. 0.23p
Bentalls 0.6p
Dawsongroup 1.6p
Delta 10 1/4% Db. 95/99 E5.375
Edinburgh Fd. Mngs. 8p
Excalibur Grp. 0.4p
Halifax Bldg. Scty. FRN '97
E277.78
Intrum Justitia 1.1p
Life Sciences 1.6p
Lincoln 4.71p
Maybom 2p
Mersey Docks & Harbour 3.3p
New Zealand 11 1/4% 2008
E201.25
OIS Int. 0.5p
Pearson 5.75p
Quayle Munro 6p
River & Merc. Am. Cap. & Inc.
Tst. 1.8p
Servomex 2.1p
Stat-Plus 4.32p
SWP 0.2p
T & N 7.5p
Transport Dev. 3p
Usher (Frank) 4.5p
Walker (Thomas) 0.5p
Watnoughs 1.7p
Yorkshire Food 0.8p
■ SUNDAY
Nightright 1.13p
Treasury 7% 2001 E3.50
Whitbread 5 1/4% Un. Ln. 95/99
E3.625

MULTIMEDIA BUSINESS ANALYST

REGULAR NEWS AND ANALYSIS OF THE MULTIMEDIA WORLD

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Europe Energy, 50, Stratton Street, W.
10.00
TR European Growth Tst., 3, Finsbury
Avenue, E.C. 12.30
BOARD MEETINGS:
Edinburgh Invs. Tst.
Fleming Chinese Inv. Tst.
Sider, Cedar Court Hotel, Walsfield,
12.00
Lionheart 7% Cv. Pt. 3.5p
Litho Supplies 2.73p
Lon. Merchant Sec. 7 1/4% Cv.
Un. Ln. 2000/05 E3.875
Lowes \$0.045
Mayne Nickless A\$0.17

■ TOMORROW

COMPANY MEETINGS:
Europe Energy, 50, Stratton Street, W.
10.00
TR European Growth Tst., 3, Finsbury
Avenue, E.C. 12.30
BOARD MEETINGS:
Edinburgh Invs. Tst.
Fleming Chinese Inv. Tst.
Sider, Cedar Court Hotel, Walsfield,
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CONFERENCES & EXHIBITIONS

NOVEMBER 9
Polish Business Day
CBI Conference, supported by the DTI, designed to provide companies with practical information on specific trading or investment opportunities. Programme includes keynote address by Prime Minister Pawlak, presentations by sector Government representatives, together with sectoral workshops and networking opportunities.
Contact: Sandra Aldred, CBI Conferences
Tel: 071 379 7400
24 hr fax-on-demand: 071 240 1248
LONDON

NOVEMBER 9
Presentations for Professionals by Professionals
At the Mermad Theatre, a seminar on creating effective presentations. From presentation techniques and use of language, to AV design, slide production, etc. Businessmen, stand-up comedians and actors demonstrate how to make lasting impressions. Instructional, interactive and enjoyable - a must for all presenters. Keynote speaker: Alan Dibbo, Chartered Institute of Marketing.
Contact: E. Williams, Executive Presentations
Tel: 071 837 8199 Fax: 071 837 8190
LONDON

NOVEMBER 11
Insider Dealing Investor Relations Seminar
Half-day intensive seminar, sponsored by IIS Society, on Regulation, insider dealing, OTI enquiries, price sensitive info. Venue: Louisa House, Regent & General, Cable & Wireless Bank Arcade.
Tel: 071 497 2225 Fax: 071 497 9295
LONDON

NOVEMBER 12-14
Machine Translation: Ten Years On
This international conference is jointly organised by Cranfield University and the BCS National Language Translation Specialist Group. Papers cover on achievements in the past ten years, also on research into expected developments in the next ten years. Applications are discussed with significant relevance to commercial and business life. Contact: Douglas Clarke or Alfred Webb
Tel: +44 (0)1234 750111
Fax: +44 (0)1234 750728
E-Mail: a.webb@cranfield.ac.uk
CRANFIELD

NOVEMBER 15
International Mobility
CBI conference addresses findings from survey on current practices and new developments in international remuneration policies, particularly in newly emerging economies of Central and Eastern Europe and the Pacific Rim. Conference examines practical approaches to remuneration package, cost control and provides company case study examples.
Contact: Sandra Aldred, CBI Conferences
Tel: 071 379 7400
24 hr fax-on-demand: 071 240 1248
LONDON

NOVEMBER 15 & 16
FT Ninth Petroleum & Gas Conference
This event, held to coincide with PetroTech '94, will focus on European oil refining and the market to the year 2000, considering current and future European capacity, new refining investment and environmental issues.
Enquiries: Financial Times
Tel: 061-673 9000 Fax: 061-673 1335
LONDON

NOVEMBER 15 & 18
Strategies for High-Involvement Leadership
Conveying change, concentrating on high pay-off activities; creating partnerships; strengthening trust; motivating and enhancing team performance; and stimulating innovation. These are some of the issues included in this interactive briefing designed to train executives to operate effectively in empowered organisations.
Contact: Rachel Thomas/Sarah Williams
Tel: 071 379 7400
24 hr fax-on-demand: 071 240 1248
LONDON

NOVEMBER 15/16
Practical Dealing course - Money Markets
Training in traditional cash market dealing and short term derivatives (Futures and FRAs): risk identification and evaluation, product pricing, position management - with opportunities to test theories learned in dealing role-play and other practical exercises. For Corporate treasury personnel, bank dealers, marketing and support staff. £490.00 + VAT.
Lywood David International Ltd.
Tel: 0729 565320 Fax: 0729 665821
LONDON

NOVEMBER 15-16
Business Performance Measurement
Transforming corporate performance by measuring and managing the drivers of future profitability. This two-day conference explores the relevance and practicality of developing new 'corporate dashboards', which include non-financial indicators, such as customer satisfaction, quality and benchmarking.
Contact: Business Intelligence
Tel: 081-543 6565 Fax: 081-544 9020
LONDON

NOVEMBER 15-17
Public Sector Purchasing
Buying into the future. Six conference sessions a day over three days to update public sector managers on developments and issues in public sector purchasing, including Electronic Trenching. Co-sponsored by Touche Ross. Free entry on pre-registration to public sector employees.
Contact: Lucy Reese, Government Group
Tel: 071 582 9191
LONDON

NOVEMBER 16
Brazil: Prospects for trade and investment
A one day seminar designed to give an overview of key cultural, institutional, investment and economic issues surrounding trade with Brazil. Supported by the Banco do Brasil, UK Embassy of Brazil and DTI.
Contact: Management Development Division
Tel: 0254 590413 Fax: 0254 381454
LANCASTER

NOVEMBER 18/17
The Digital Information Revolution
Market Opportunities for Multimedia created by the Superhighway. A major high-level, interactive industry/Government Conference, providing the first opportunity for senior representatives from commerce and industry to address the key issues with Government participation in an open forum.
Contact: Julia Moulton, Status Meetings
Tel: 01730 266544
LONDON

NOVEMBER 17
Kenya
CBI conference plus workshops, in association with Standard Chartered Bank, considers current developments, opportunities and future prospects for investors and exporters. Keynote address by President Daniel T. Njoroge and speaker from the United Nations Development Programme.
Contact: Nicola Martin, CBI Conferences
Tel: 071 379 7400
24 hr fax-on-demand: 071 240 1248
LONDON

NOVEMBER 21 & 22
Third Central Banking Conference
Features leading speakers from the central banks of China, India, France, Hungary, Poland, Austria, Poland, Venezuela and The Bank of England, EMI and IMF. Sponsors: The World Bank, Barclays, Citibank, HSBC and Citicorp.
Contact: Daphne Clifton
Tel: 0225 466744 Fax: 0225 442903
LONDON

NOVEMBER 21-22
Business Performance Measurement
Transforming corporate performance by measuring and managing the drivers of future profitability. This two-day conference explores the relevance and practicality of developing new 'corporate dashboards', which include non-financial indicators, such as customer satisfaction, quality and benchmarking.
Contact: Business Intelligence
Tel: 081-543 6565 Fax: 081-544 9020
LONDON

NOVEMBER 21-22
Political Risk Outlook for the Oil Industry in 1995
The oil industry has become well experienced in evaluating the risks it faces in its business, particularly when planning major new investment. Yet the greatest uncertainties which affect the security of supply and price and which may fundamentally change the economics of new projects are political risks.
Contact: The Institute of Petroleum, Conference Department
Tel: 071 467 7100
LONDON

NOVEMBER 22-23
Logistics Update '94
8 Sessions - Individually Bookable
Logistics Overview; Warehouse Automation; Environment; Third Party Distribution; Low Cost Software; Coding & Labeling; Order Picking; Security & Disaster Recovery.
Enquiries: Conference Manager, NMHC Ltd
Tel: 01234 750323 Fax: 01234 750404
CRANFIELD UNIVERSITY

NOVEMBER 23
Negotiation and Change - Employee Relations in the Regulated Industries
This CBI seminar examines the changing employment structures, pay incentives and stability since privatisation and compares the national with international perspectives. Speakers from the CBI, TUC, GMB, Mercury Communications and Eastern Electricity. Cost £299 + VAT.
Contact: Leigh Sykes, CBI
Tel: 071 895 3823 Fax: 071 895 8825
LONDON

NOVEMBER 23
The Private Finance Initiative: The Latest Opportunities for the Private Sector
A one day conference. Speakers include 11 Government Ministers (Messrs Dorrell, Gummer, Long, Redwood, Eggar, Forsyth, Hain, Patten, Patten, Wat, Young and Savory) and senior industrialists and specialists advisers.
Contact: City & Financial Centres
Tel: 0276 105666 Fax: 0276 650666
LONDON

NOVEMBER 23-24
Commercial Parallel Processing
Experiences and Practice
Speakers from Churchill Industries, WH Smith, Mercury Communications, and the Hertsford County Council amongst others will discuss the benefits and their experiences of this significant technology, which allows scalable low cost computers to be expandable in very high performance in an office environment.
Contact: Hertsford Pk, IBC Technical Services Ltd
Tel: 071 467 4383 Fax: 071 631 3214
LONDON

NOVEMBER 24
CRIME: Turning the Vision into Reality
As this conference, leading member from the UK oil industry and Government will emphasise the importance of working together to achieve the cost reduction initiatives. Examples of what has already been achieved and case histories covering new North Sea projects will be covered.
Contact: Aberdeen Chamber of Commerce
Tel: 0224 213626
ABERDEEN

NOVEMBER 24-25
Protection & Exploitation of Intellectual Property in Russia, FSU, Eastern & Central Europe
Comprehensive review of developing legislation, protection of rights, patent, trade mark, copyright & licensing issues. Speakers include lawyers & representatives from industry and experienced practitioners from throughout the region. INTERFORUM
Tel: 044 (0) 71 366 9322
Fax: +44 (0) 71 361 8914
LONDON

NOVEMBER 24/25
FT Manchester Postgraduate Fair
This is the first postgraduate fair to be held in Manchester. It is fair will provide exhibitors with a unique opportunity to attract the highest calibre of students for postgraduate courses. Booking deadline for exhibitors: October 31.
Contact: Kay Day at Manchester
Tel: 061 272 3952
MANCHESTER

NOVEMBER 29 & 30
Positive Management of Workforce Restructuring
Senior and Workshop. There is no easy solution to the problems of workforce restructuring. But managed with skill, the impact on the company and those who must leave can be minimised. This workshop is designed to illustrate how practical case study material how to manage restructuring positively.
Contact: Rachel Thomas/Sarah Williams
Tel: 071 379 7400
24 hr fax-on-demand: 071 240 1248
LONDON

NOVEMBER 29 & 30
Offshore Trust Administration/Offshore Trusts & Trustees
IPC have arranged two one-day conferences on related aspects of the offshore world, which complement each other perfectly, but which can be attended separately if desired. Further details from International Professional Conferences Ltd
Tel: 061 445 8623
JERSEY

NOVEMBER 29-30
Global Emerging Markets
Investment Management
Major international conference on global emerging debt and equity markets looking at CIS, Eastern Europe, Africa, the Caribbean, Latin America and the Pacific. Programme designed for international portfolio investors and asset managers. Includes study group.
Contact: Alison Elgar, Dow Jones Venture Ltd
Tel: 071 632 9532 Fax: 071 353 2791
LONDON

NOVEMBER 29 & 30
City Intensive Seminar
Sponsored by THE CORPORATION OF LONDON and KPMG, this two-day seminar, for the City, examines the impact of the structural, markets, flow of funds, regulation and world position of the City. Designed for recent graduates, corporate finance and treasury staff and overseas financial executives.
Contact: Cityforum Ltd
Tel: 0225 466744 Fax: 0225 442903
LONDON

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Contact: Rachel Thomas/Sarah Williams
Tel: 071 379 7400
24 hr fax-on-demand: 071 240 1248
LONDON

NOVEMBER 29-30
International Conference: Power & Energy Services. The Business Opportunities for UK Companies
Key speakers from industry and commerce, will outline current and future strategies for maximising the potential of the world industrial power market. Details from: Judith Mackenzie, The Institute of Energy, 18 Devonshire Street, London W1N 2AU
Tel: 0171 580 0008 Fax: 0171 580 4420

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Mercados Emergentes

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FINANCIAL TIMES

MARKETS

THIS WEEK

Best Emerging
Markets Bank

ING BANK



The average central banker has been programmed to warn about the threat of inflation regardless of economic circumstances.

Something is clearly up, then, when a well-known anti-inflationary hawk like Mr. Eddie George, Governor of the Bank of England, argues that the markets are too pessimistic about the inflationary prospect.

Cynics may conclude that the need to talk his book back is temporarily taking precedence over Mr. George's disinflationary zeal. Current high real rates of interest are prohibitive for government borrowers everywhere. So who is right the governor or the market? And why are bond markets suddenly making central bankers look like monetary doves?

In the end the question turns on the nature of default risk. The markets are saying that current levels of government debt are unlikely to be serviced in full, especially in what economist David Rhee of Independent Strategy likes to call the Southern Comfort countries - a category in which he includes Sweden and Finland, and on occasion the UK,

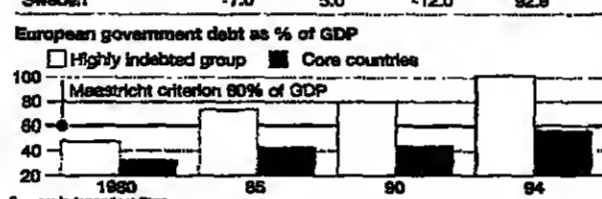
along with Italy, Spain, Greece and Portugal (see accompanying table's progress-type chart).

Others whose debt-to-GDP ratios would qualify them for club membership include Canada and Belgium. The dismal calculus of debt is that real rates of interest are not only much higher than potential GDP growth rates in these countries, the gap is now so wide that it is difficult even for countries with strong governments to run a primary budget surplus (excluding interest) big enough to stop the debt increasing.

Yet the markets clearly do not expect a formal default. Most of the Southern Comfort countries with substantial foreign currency denominated debts enjoy much lower rates of interest on the foreign component of the debt stock than on their domestic IOUs. It follows that investors are demanding an increased risk premium against the possibility of an internal default, whereby governments mone-

Living with debt

	Required turnover in general government primary budget to stabilise debt/GDP	1994 primary debt/GDP	Required primary budget/GDP	1994 government debt/GDP
Belgium	5.0	3.3	1.7	146.3
Italy	0.9	5.5	-4.6	118.3
Spain	-2.0	2.5	-4.5	84.2
Sweden	-7.0	5.0	-12.0	92.8



tise debt by borrowing from the domestic banking system - the modern equivalent of printing money. Whether the markets are right to assume that the foreign debt will still be serviced is another matter. The consequences of internal default through inflation is likely to be an overvalued real exchange rate, followed by a devaluation

that will increase the real cost in domestic currency of servicing the foreign investors' bonds.

True, export earnings will also rise in response to the exchange rate change. But the relevant external debt is owed by the government, not the corporate sector. The more important question is whether, in an inflation-induced politi-

Total return in local currency to 27/10/94

	US	Japan	% change over period	France	Italy	UK
Cash	0.08	0.04	0.08	0.10	0.18	0.11
Week	0.42	0.20	0.41	0.45	0.69	0.46
Month	3.56	2.31	5.63	5.81	8.25	5.41
Bonds 3-6 year	-0.10	-0.02	-0.37	-0.35	0.74	-0.45
Week	-0.47	-0.84	0.49	0.27	1.06	0.92
Month	-2.87	-0.90	1.02	-0.68	1.25	-0.43
Bonds 7-10 year	-0.23	-0.03	-1.11	-1.15	1.09	-0.56
Week	-0.86	-1.14	0.47	-0.48	0.80	1.58
Month	-7.88	-1.80	-4.08	-7.68	-5.44	-4.15
Equities	-0.2	-1.2	-2.8	-2.7	-1.6	-1.1
Week	1.1	0.7	-2.3	-2.3	-10.5	0.9
Month	3.3	-3.2	-2.3	-10.5	8.2	0.0

Source: Cash & Bonds - Lehman Brothers. The FT-Actuaries World Indices are jointly owned by The Financial Times Limited, Goldman Sachs & Co., and NatWest Securities Limited.

cal and economic crisis, the reduced cost of servicing domestic debt will leave room to look after the external debtors. The experience of the Latin American debt crisis offers no encouragement on this score. And where countries are running a primary budget deficit, such as in Sweden and Spain (see table), holders of foreign currency

debt are much more heavily at risk than the market recognises. What would happen if it came to the crunch? An obvious model would be the period under the last Labour government when fiscal rigour was imposed on the UK with a little arm-twisting from the International Monetary Fund. But there was also help, at that

time, from global inflation and negative real rates of interest on Britain's external debt. No such help will be forthcoming in a world choc-a-bloc with bond market vigilantes. Nor will a government that is running a primary budget surplus necessarily feel the need to call on the services of the IMF.

Default need not happen, of course. Both Ireland and Denmark have shown that debt stabilisation through fiscal adjustment is possible. With high real rates, the benefits from fiscal discipline are striking and immediate. Once markets detect signs of political will, the virtuous circle of falling rates, lower debt service, reduced budget deficits and shrinking risk premia can be quickly established.

The snag is the scale of the problem. Consider Sweden, where David Rhee estimates that it would take a monumental fiscal adjustment of 12 per cent of GDP just to start stabilising the public debt. Yet Sweden has the highest level of

public spending in the developed world - over 70 per cent of GDP last year - for good reason: the people like their welfare state. Yet they also feel over-taxed.

The message is that judgments about bond yields in individual countries are more than ever to do with politics. And it seems unlikely that the more general problem of high real rates will go away quickly, since the pressure on capital markets remains formidable. While the level of savings in the OECD is significantly lower than in the period before 1974, debt has been rising inexorably. The OECD projects that between 1975 and the end of this year net public sector debt will have risen from 21 per cent to 42 per cent of GDP.

That suggests, pace the central bankers, that there could indeed be a serious inflationary problem. The markets cannot convince themselves that electorates are prepared to meet the ever-soaring bill for the welfare state. If the vigilantes are nodding, it is in being over-optimistic about the servicing of foreign currency indebtedness. But sooner or later the Southern Comfort zone will deliver a default. The more interesting question is whether the UK will be a victim or beneficiary of the resulting flight to quality.

Economics Notebook

An economics of corruption



Sleaze can have political costs, but what about the economic side of the equation? In the past, economists usually assumed corruption was an economic "bad", and left the more detailed theories to their colleagues in the political science department. Yet analysis of economies with very different styles of political crookedness has made them think again.

Drawing on their experience helping to implement reforms in formerly communist countries, two Harvard economists, Andrei Shleifer and Robert Vishny, have come to the conclusion that being able to bribe politicians is not always a bad thing. As always, it depends on the options.

One way to see bribes in a more positive light is to view them as a form of taxation. Instead of paying for high public sector wages through general taxation, people in corrupt countries end up footing the bill more directly, bribing officials in return for passports, import licences, or other forms of privilege.

At best, this sort of bribe is like a "hypothecated", or earmarked, tax. The official is performing a service - stamping a passport with the correct visa, for example - and the bribe allows the user of the service to pay for some of the labour costs directly. In this ideal case, taxpayers who never go abroad might even benefit, because corrupt customs officials should insist on lower wages than honest ones.

When bureaucratic and political interference is widespread, it is more difficult to see bribes as an extra tax for public goods. But in these circumstances, paying officials not to do their job is better than paying them to do it. When individuals and businessmen face a web of cumbersome rules and regulations, the economy could end up more productive if bribes

prevent pointless restrictions from being enforced.

In the real world, of course, the effects of corruption will rarely be so benign. The very fact that bribes must be kept secret will make them less efficient than a more transparent revenue-raising system. Unless the "going rate" for a given service is very well known, the additional uncertainty will severely undermine the prospects for investment and growth.

But just as there are better and worse ways to collect taxes, some systems of corruption will be a lot more harmful to the economy than others. Predictably, the two economists argue that the costs will depend on whether the market for political favours is competitive, and how well it is regulated.

When there are plenty of officials in a position to provide a particular good, bribes will be kept down because the public can always seek a lower price elsewhere.

Corruption is more of a problem when officials have a

degree of monopoly power: awarding import licences in a particular sector, for example.

This could mean a very high "tax" on the companies concerned, leading to artificially high prices. Nevertheless, it will rarely be in the official's interest to put all his customers out of business.

The real trouble comes when doing business in a given market involves buying off not one, but dozens of individual monopolists, each asking to be paid off for providing (or forgetting about) a particular licence or permit. If there is nothing resembling who can ask for bribes and how much they can ask, firms may simply move abroad if they can, or else give up doing business altogether.

Unco-ordinated, bureaucratic fiefdoms will tend to corrupt themselves out of a living: the economy becomes so burdened with the cost of corruption that it simply ceases to function. The monopolists need to co-ordinate their activities, and for that there must be a single

source of power to enforce the system.

According to the authors, this explains why some countries have managed to cope with high levels of corruption better than others. Where there is one main political party effectively controlling the system, only "insiders" can demand bribes, and they will be penalised if they demand more than the going rate. This was probably the case in Soviet Russia. Now, however, the country has the most damaging combination of all: thousands of people with an instinct for working the system, and almost no central authority capable of regulating their actions.

Whether corruption is viewed as a tax, or a way of reducing regulation, neither argument suggests that corruption is optimal. Indeed, in the latter case, many silly regulations may be imposed by officials, precisely in order to earn money taking bribes to ignore them. The bribes may lessen the negative effects of these rules, but it would obviously be better not to have them in the first place.

More generally, companies that specialise in currying political favour will devote less time and resources to making a better product. If firms would otherwise be able to compete on their merits, widespread corruption is clearly worse for the economy.

This is consistent with various studies suggesting that corrupt economies tend to have low rates of investment and growth. As Prof. Shleifer and Vishny note, "Corruption goes hand in hand with political control. The empirical result that corruption is bad for growth simply reflects the fact that heavy government regulation is bad for growth." As ever, competition between politicians will be the best way to cure the system.

Stephanie Flanders

"see 'Corruption', Quarterly Journal of Economics, Autumn 1993 and 'Politicians and Firms', Harvard Mimeo, July 1994.

COMMODITIES

Metal exchange moves house

With many of its contract prices at or near recent highs and volumes booming in most of its markets, the London Metal Exchange could hardly have chosen a more auspicious moment for today's move to bigger premises.

At about 26,000 sq ft the purpose-built premises in Leadenhall Street in the City doubles the exchange's space, allowing the provision of expanded technological facilities to cope with rising trading volumes.

Total turnover this year is expected to grow by between

20 and 30 per cent from 1993's record of \$5.28m, taking the average daily trading value to about \$5m (\$3.1bn).

Traders may have little leisure to savour their new surroundings, if last week's performance is anything to go by. After a hectic five days, all six of the LME's base metals contracts ended with net gains, notably copper, the exchange's flagship, which rose by nearly 4 per cent, and aluminium, up 4.3 per cent.

Fears remain that the speed of the recent price rises could

result in sharp corrections for "overbought" markets. But the bulls will have been encouraged by the fact that Friday's bout of end-of-the-week profit-taking generally found good support not far below ruling price levels.

The LME will meet fresh competition from tomorrow, when the Shanghai Metals Exchange launches standard futures for lead, zinc, nickel and tin. But there seems no reason for concern that its pre-eminent position in international metals trading could

seriously be threatened.

Other events this week include a three-day conference, beginning today in Vancouver, Canada, on Latin American Mining and, possibly, the publication of the keenly-awaited official assessment of frost and drought damage to the 1995-96 Brazilian coffee crop. Uncertainty about this crop and weather prospects in coffee-growing regions has led to a slow-down in trading activity at the London Commodity Exchange and a substantial retraction in contract prices.

BOOZ-ALLEN & HAMILTON

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This year, Booz-Allen & Hamilton celebrates 80 years of leadership in management consulting. We are pleased to announce the election of 32 new vice presidents.

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Noel Gordon London, England	Matthew McKenna New York, New York	Donald Vincent McLean, Virginia
Rolf Habbel Munich, Germany	David Osborn Sydney, Australia	Brian Wengenroth New York, New York
Mark Hansen Singapore	Alfred Picarelli McLean, Virginia	Timothy Wright London, England
Douglas Hardman Cleveland, Ohio	Moyses Plucienik São Paulo, Brazil	

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Ltd., Goldman, Sachs & Co. and NatWest Securities Ltd. In conjunction with the Institute of Actuaries and the Faculty of Actuaries

	US Dollar Index	UK Pound Index	Yen Index	DM Index	Local Index	Local %	Gross %	US Dollar Index	UK Pound Index	Yen Index	DM Index	Local Index	Local %	Gross %
Australia (98)	172.12	2.1	157.29	105.90	135.07	154.08	-5.8	3.80	173.10	156.76	105.02	134.74	154.80	189.15
Canada (10)	165.89	11.56	142.28	142.15	-14.6	1.13	181.85	164.62	111.28	141.55	141.40	168.89	187.46	177.14
France (103)	169.17	0.0	164.50	104.08	132.75	128.50	-10.7	4.28	169.73	155.65	103.08	132.11	128.61	177.04
Germany (9)	136.58	0.0	124.73	84.03	107.17	133.50	2.5	3.54	135.58	125.35	84.48	106.06	133.06	145.31
Italy (103)	169.17	0.0	164.50	104.08	132.75	128.50	-10.7	4.28	169.73	155.65	103.08	132.11	128.61	177.04
Japan (9)	169.17	0.0	164.50	104.08	132.75	128.50	-10.7	4.28	169.73	155.65	103.08	132.11	128.61	177.04
Netherlands (10)	169.17	0.0	164.50	104.08	132.75	128.50	-10.7	4.28	169.73	155.65	103.08	132.11	128.61	177.04
Sweden (9)	169.17	0.0	164.50	104.08	132.75	128.50	-10.7	4.28	169.73	155.65	103.08	132.11	128.61	177.04
Switzerland (10)	169.17	0.0	164.50	104.08	132.75	128.50	-10.7	4.28	169.73	155.65	103.08	132.11	128.61	177.04
UK (10)	169.17	0.0	164.50	104.08	132.75	128.50	-10.7	4.28	169.73	155.65	103.08	132.11	128.61	177.04
World (10)	169.17	0.0	164.50	104.08	132.75	128.50	-10.7	4.28	169.73	155.65	103.08	132.11	128.61	177.04

WORLD BOND MARKETS: This Week

NEW YORK

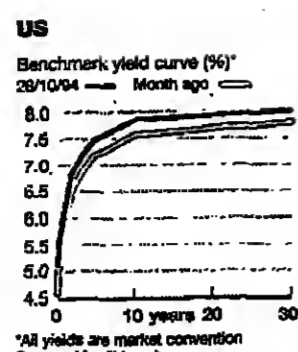
Patrick Harverson

Last Friday's rally, which sent the 30-year yield back below 8 per cent, may not carry through into this week. Analysts expect that for the next month or so a weak dollar, renewed upward pressure on commodity prices, and another tightening of monetary policy by the Federal Reserve will steadily push bond yields up towards 8.25 per cent or 8.5 per cent.

Yields, in fact, may go above 8 per cent this week, which is packed with the sort of data that could unnerve investors if they contain hints of resurgent inflation or unexpectedly strong economic growth.

The October employment report, due on Friday, will be the highlight. Donaldson Lufkin & Jenrette analysts forecast that non-farm payrolls will have risen by 230,000 in October. Growth above 270,000 could send bonds tumbling.

The market will also have to absorb the National Association of Purchasing Management's index for



October, and September personal income, manufacturers orders, leading economic indicators and single family home sales.

If any of these figures are stronger than expected, the bond yield will probably breach 8 per cent again. The consensus is that the Fed will tighten policy on November 15, when its open market committee meets, by raising the Fed funds rate target by 50 basis points to 5.25 per cent.

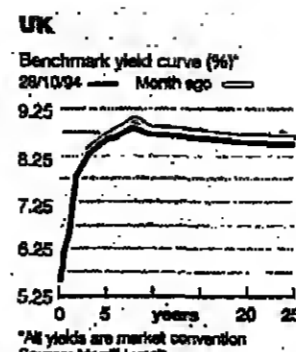
LONDON

Philip Coggan

The central event of the week for the gilt market will be Wednesday's monthly meeting between Mr Kenneth Clarke, the chancellor of the exchequer, and Mr Eddie George, governor of the Bank of England.

Some analysts think the meeting will lead to a further rise in base rates. "The evidence of continued price pressures, falling capacity and no clear slowdown in growth will be sufficient to prompt the governor to request a further tightening of policy," believes Mr James Barry, senior UK economist at Morgan Grenfell. He predicts the meeting will result in base rates rising to 6 per cent, a quarter of a percentage point increase.

But Mr Ian Shepherdson, UK economist at Midland Global Markets, thinks the chancellor will resist a rate rise. He believes Mr Clarke will not want to dent consumer confidence ahead of the vital Christmas shopping season, nor will he want to antagonise



voters before what is likely to be a fairly austere Budget. Either way, the market is likely to be jittery all week, especially as September's base rate rise was delayed until the Monday after the monthly meeting. The Bank's quarterly inflationary report, published on Tuesday, may give some clues as to the governor's thinking; his recent remarks have suggested bond markets are over-stating the inflationary threat.

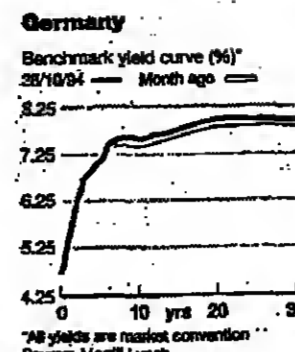
FRANKFURT

Andrew Fisher

In the current German interest rate hiatus, with the Bundesbank waiting to see what happens on the monetary, economic and political fronts, the eyes of the bond market are fixed on the US.

Although Friday's US data proved positive for the financial markets, concern over the timing and impact of the next US interest rate rise remains to the fore.

The main domestic news last week was the easing of West German inflation to 2.3 per cent, bringing it closer to the central bank's 2 per cent goal, and the recommendation by the main economic research institutes that interest rates should not be cut significantly. This came in a broadly positive report on the economy, which has been expanding with a vigour even the Bundesbank admits has come as a surprise.



Until M3 slows down more sharply, those who believe there is no more scope for the Bundesbank to cut interest rates in the current cycle will be strengthened in their views.

Even so, some voices still argue that another cut in the discount and Lombard rates, which have been static since May, is probable. For the bond market, though, it is the US that will mainly determine whether yields continue moving up.

TOKYO

Emiko Terazono

Investors are expected to focus on the short-term money markets, which will be affected by seasonal and technical factors this week.

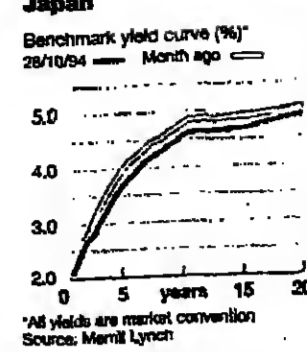
A substantial rise in fund demand from banks, due to month-end funding, corporate tax payments and the public holiday on Thursday, is likely to put upward pressure on short-term rates.

The banks are also expected to increase fund procurement for the year-end, pushing up two-month interest rates.

Over the past few weeks, the Bank of Japan has allowed short-term rates to rise moderately in the face of increasing evidence of a gradual economic recovery.

Although it has been forced to adopt an easier stance because of the yen's appreciation against the dollar, economists expect it to allow a further rise in short-term rates because of the underlying economic trends.

"We expect the BoJ to allow a gradual widening of the



spread between the overnight call rate and the ODR," says DKB International.

Meanwhile, oversupply worries are adding to investor caution as corporate borrowing on the straight bond markets seems set to increase. Last week Tokyo Electric Utility Company, said it would issue ¥100bn of straight bonds in November and corporations are also expected to turn to the Eurobond markets for funds.

Capital & Credit

Moody's move puts spotlight on Sweden

The decision by Moody's Investors Service to place Sweden's Aa2 foreign currency debt rating on review for a possible downgrading is likely to weigh heavily on the bond market when it opens today.

After rallying sharply last week, the rating agency's move, prompted by its concerns over the country's public-sector deficit, will force investors to focus once again on Sweden's debt situation, which has troubled the market most of the year, causing an exodus of foreign participants and the withdrawal of leading Swedish investors.

After posting sharp gains during the 1993 bond market boom, Swedish bonds have suffered particularly this year, not only from the bear market that has depressed fixed-income markets worldwide, but also from problems at home: a growing budget deficit and political jitters surrounding general elections.

Swedish bonds have been further dogged by inflationary fears and the spectre of monetary tightening after the Riksbank raised interest rates on

August 11 - the first European rate increase in the current cycle.

Last week, however, Sweden's bond market was the strongest performer worldwide, according to Salomon Brothers' world government bond index. Swedish government bonds returned 1.41 per cent in the week to Thursday, compared with a 0.35 per cent drop in the European bond index. Their yield spread, over German bunds, narrowed sharply to around 320 basis points on Friday from 357 points a week earlier.

Bond prices were propelled higher last week by a range of factors: Monday's bullish bond auction result (with each tranche snapped up by a single buyer), currency strength, and increasing hopes that Sweden will vote in favour of joining the European Union in its referendum on November 13.

The Riksbank's 20-basis-point hike in the repo rate to 7.40 per cent on Thursday further underpinned bonds because it was seen to boost the central bank's inflation-fighting credibility.

Lastly, prices were boosted by calls from Mr Goran Persson, the finance minister, for larger than forecast government spending cuts: in addition to the SKr61bn of budget savings promised by the Social Democrats during the election campaign, he proposed further spending cuts of 20 per cent over the next four years.

However, the Moody's rating review highlights the risks still surrounding Swedish bonds in the shape of the continuing accumulation of public-sector debt.

"Stronger economic growth, lower unemployment and additional fiscal restraint expected from the recently elected government suggest that budget deficits relative to GDP will shrink; nevertheless the build-up in public-sector debt will continue," the agency warned.

"Moody's review will focus on the degree to which policies can be forged over the medium term to strengthen the public sector finances and improve the investment climate," it stated.

Some market participants

were surprised by the timing of the announcement. "I think Moody's may have acted a bit prematurely here, especially considering that the government hasn't yet presented the details of its economic plans and with the EU referendum coming up," said Mr James McKay, international economist at Kidder Peabody.

On the other hand, he said, Moody's announcement could be welcomed as a warning shot to the government, forcing it to place fiscal discipline at the top of its agenda. Mr Persson is due to unveil details of his fiscal plan on Wednesday.

The EU referendum remains another significant risk. In spite of Finland's recent vote in favour of EU membership, the Swedish yes-sayers have held only a slim majority in recent opinion polls, amid a large pool of undecided voters. "If the Swedes vote 'no', that could undermine the Social Democratic leadership," warns one analyst, who says a 'no' vote could cause the Swedish yield spread over bunds to balloon back to more than 400 basis points.

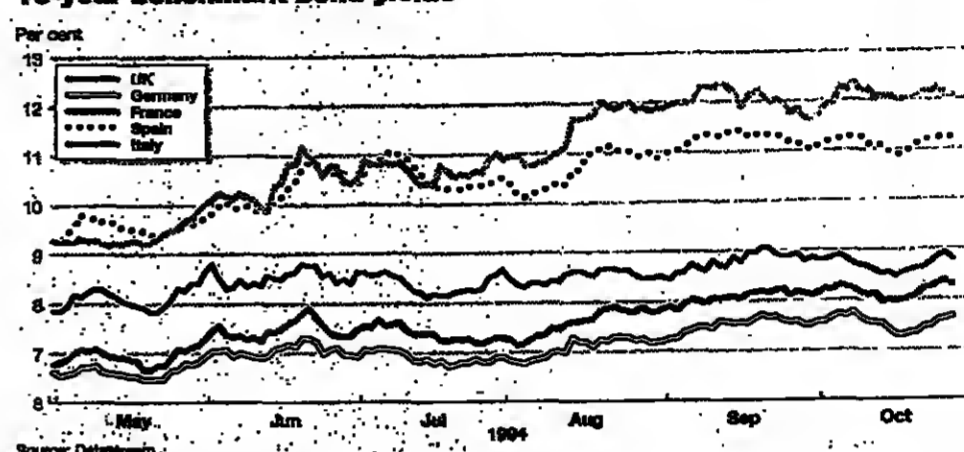
Even before the Moody's announcement, Mr Graham McDevitt, strategist at Paribas Capital Markets, was recommending switching out of Sweden ahead of the EU referendum. One strategy would be to move into Danish bonds, while more adventurous investors should consider a switch into Norway, which faces an EU referendum on November 28, he says.

According to Mr McDevitt, Swedish bonds are moving to put bias on a 'yes' decision while Norwegian bonds have 70 per cent discounted a 'no' vote. "If Sweden does vote for EU, Swedish bonds should rally but Norwegian bonds should out-perform on hopes that a 'yes' result may now be possible in Norway," he says.

"If Sweden votes 'no', Swedish bonds would succumb to significant profit-taking from long positions built up over the past month; this would drag on Norwegian bonds, but better underlying fundamentals should limit the decline," he adds.

Conner Middelmann

10-year benchmark bond yields



INTEREST RATES AS A PERCENT

	USA	Germany	France	Italy	UK
Overnight	4.00	1.75	4.50	6.50	5.75
3-month	4.50	2.25	4.50	6.50	4.50
6-month	5.50	2.50	4.50	6.50	5.50
1-year	6.50	2.75	4.50	6.50	6.50
2-year	7.50	3.00	4.50	6.50	7.50
3-year	8.50	3.25	4.50	6.50	8.50
5-year	9.50	3.50	4.50	6.50	9.50
10-year	10.50	3.75	4.50	6.50	10.50

NEW INTERNATIONAL BOND ISSUES

	Open	Set price	Change	High	Low	Est. vol.	Open int.
Dec	97.11	96.91	-0.20	96.95	96.85	247,055	980.072
Nov	96.91	96.71	-0.20	96.75	96.65	1,300	27,492
Jan	96.71	96.51	-0.20	96.55	96.45	101	11,913



THE COMPETITIVE EDGE

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International loans

Securum marks a Swedish milestone

The SKr20bn refinancing package announced last week by Securum, the state-owned Swedish company set up to liquidate the failed loans of Nordbanken, was big by any standards. From a company less than two years old, it was spectacular.

The operation is a milestone in Sweden's progress out of the crisis that overwhelmed its banking sector in 1992. Significant state intervention was required to restore confidence. "Securum has been the main symbol of the Swedish banking crisis," says Mr Anders Nyren, the group's chief financial officer. "For the company to be able to refinance itself in the international markets so soon after it was set up shows the progress which has been made."

Securum was established in early 1993 after taking on SKr60bn in failed loans from Nordbanken, which collapsed into state arms in 1992 as the biggest casualty of Sweden's banking crisis. It has converted bad credits into some SKr44bn worth of assets, which it intends to sell off gradually over the next 10 years to maximise returns to the taxpayer.

It has changed from being a finance company to an investment, industrial and real estate holding company. The transformation was the starting point for the refinancing which will allow it to pay back most

of the loans it has received from Nordbanken.

The package involves an international and a domestic tranche. Under the international tranche, Chemical Bank and Enskilda Corporate will arrange a \$1.4bn amortising five-year syndicated term loan. Pricing is Libor plus 25 basis points. After a two-year grace period, the company expects to pay down about half of the loan over the following three years. At the end of the period, the remaining portion will either be refinanced or paid back using proceeds from asset disposal.

The domestic portion falls into two parts, a SKr5bn subordinated term loan and a SKr5bn callable subordinated private placement, both running over 10 years. The arranging banks, Enskilda Corporate and Nordbanken, are expected to provide most of the term loan themselves. Terms are 50 per cent (Stockholm) inter-bank offered rate plus "a few basis points" (in practice, less than five).

The private placement comprises a five-year fixed interest rate bond. If market conditions move against the company before the rate is set in a few weeks, the bank will be re-set. The domestic/international structure reflects Securum's

balance sheet with its 60/40 per cent asset split between Sweden and abroad. For the international tranche, a syndicated loan was preferred to a bond issue because Securum does not have a credit rating and a bond was considered less flexible.

A crucial element in the total package is the backing provided by the Swedish state. The SKr60bn domestic portion of the deal will be formally guaranteed by the Kingdom of Sweden, which is transferring a pledge that underpins Securum's existing Nordbanken loan.

The international tranche is covered by the blanket support measures which the government introduced in late 1992 to restore confidence in the banking sector.

The state role undoubtedly helped Securum obtain competitive terms, although not to the extent that it was considered sovereign risk. The terms also reflect Securum's better than expected financial performance in the first 18 months of its life and the situation in the Swedish market, where the banks are flush with cash following recapitalisation and weak loan demand.

Indeed, Securum believes the terms it secured in the domestic market are at least as favourable as if it had struck with Nordbanken, even though Nordbanken has provided its

loan on a cost-of-funds basis. Combining the term loan and the private placement elements, Securum expects to end up with a basic interest rate of a few basis points below Slibor. On a worst-case scenario, it expects the rate to work out at Slibor plus one and half basis points.

If the international tranche is included in the calculation, the company expects its overall funding costs to be "very marginally" higher than they are today.

Initial market reactions to the package were positive. "It's priced according to the market and it's well structured," said one Swedish banking source, who believed it would be successful because it gives international banks, excluded from some recent relationship-driven deals, the opportunity to get into the Swedish market.

The deal is strategically important for Securum in several ways: it provides visibility, it broadens its borrowing base and it allows it to build up contacts with a range of international lenders. It should also assist the government's plans to privatise Nordbanken - a move expected sometime next year - by reducing the bank's uncomfortably large exposure to a single client.

Christopher Brown-Humes

Latest Rates				Latest Rates				Latest Rates			
Bid/Ask	Contributor	Loc	Source Deal	Bid/Ask	Contributor	Loc	Source Deal	Bid/Ask	Contributor	Loc	Source Deal
											
Latest Spots				Latest Spots				Latest Spots			
											
Latest Spots				Latest Spots				Latest Spots			
											
Latest Spots				Latest Spots				Latest Spots			
											
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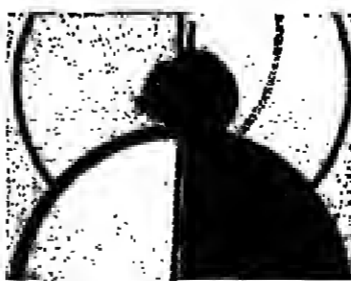
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EMERGING MARKETS: This Week

The Emerging Investor / Mark Suzman

Africa's stock markets aim high

As with so much else on the continent, Africa's stock exchanges tend to be bypassed by international investors who are convinced that anything preceded by the word African must be a hopeless economic basket case.

Indeed, even among emerging markets specialists, few are aware of the existence of any African stock markets outside of South Africa - and even in that country genuine international interest is a relatively recent occurrence.

Last week, however, at the annual general meeting of the African Stock Exchanges Association (ASEA) in Johannesburg, representatives from bourses across the region served notice that Africa is determined to put itself back on the international investment map.

In particular, now that a politically rehabilitated South Africa is rapidly becoming integrated with the rest of the continent and is poised to act as its economic leader, hopes are running high that the continent's various exchanges are about to embark on an

unprecedented growth path. "The situation is looking better now for Africa than at any time in the past 30 years, and there's real potential for growth," observes one analyst who recently visited several African cities.

While such glib predictions litter Africa's modern economic history, ASEA officials are adamant that this is no longer a pipe-dream, pointing out that there are currently over 14 operative African stock markets, with a combined market capitalisation of \$256bn (\$162bn).

Of these, South Africa is by far the most important player, accounting for \$240bn compared with \$7bn in North Africa (Egypt, Tunisia and Morocco); \$8bn in the rest of sub-Saharan Africa (Ghana, Nigeria, Namibia, Kenya, Zimbabwe, Botswana, Ivory Coast, Swaziland and Uganda) and a further \$1bn coming from the Indian Ocean island of Mauritius.

Even more striking is the fact that many exchanges already offer impressive returns. As a group the African

markets rose by an average 30 per cent last year and only two exchanges, Botswana and Nigeria, fell. Zimbabwe, meanwhile, had the fourth best performing market in the world, rising by an astonishing 123 per cent in dollar terms (albeit off a low base) and the Mauritius index rose 51 per cent.

Taking note of these figures, some of the higher investment banks and securities houses have started to investigate African markets more seriously. Morgan Stanley, for example, has included several non-South African stocks in its Africa Fund and is distinctly upbeat on the continent's prospects.

"In spite of past problems, Africa's potential is unmistakable. The world's second largest continent, with 110 square miles, is three times the size of the US and has twice the population, 600m strong, and is rich in natural resources and agriculture," its assessment concludes.

Similarly, in another recent report, Barings predicts that African exchanges should be able to expand from their current 2.2 per cent share of world market capitalisation to 3 per cent by 2010 on the back of anticipated cross-border equity flows of between \$1bn and \$1.6bn. The sub-Saharan markets on their own, the report predicts, could expand by a factor of five or six times.

Nevertheless, if the continent is to achieve this, analysts agree that further structural reforms are desperately needed. In particular, the markets need to boost liquidity

Global funds gap 'widening'

The gap between the best and worst performing global emerging markets funds is growing wider, according to a review by Fund Research. The report found that the best global emerging markets fund increased by 67.3 per cent, while the worst rose by only 6.2 per cent over the 12 months to August 1.

Mr Peter Jeffrey, managing director of Fund Research, an independent research company on international open-end and closed-end funds, said the review also identified a widening gap between fund management groups in terms of the quantity and quality of resources dedicated to emerging markets.

The report covered 50 of the sector's 120 funds, drawn from a group of US, UK and offshore open and closed end funds. Fund Research, 1 Frederick's Place, London, EC2R 8EX

substantially. South Africa, with annual turnover amounting to only 7.4 per cent of market capitalisation, is currently the most liquid of all sub-Saharan markets and even in the north, only Morocco's 21.7 per cent exceeds it.

In large part, this is due to currency controls, which are still in place in nearly all African countries and need to be removed to allow the free movement of capital. At the same time, however, the markets need to launch some international stock offerings to help raise the continent's profile.

These points are largely accepted by the markets, which have started actively lobbying their respective governments for action on both fronts. "Only by removing the major stumbling block of exchange controls and by providing new shares through privatisation issues can we attract the foreign capital we so desperately need to develop our country," observes Mr Juma Mbari, ASEA chairman.

Middle East

Foreign & Colonial Emerging Markets has launched the first regional Middle East closed-end fund on the New York stock exchange. In a global placing it has so far raised \$42m.

The fund, which is FCEM's first US listed fund, is investing 66 per cent in securities of Morocco, Tunisia, Egypt, Jordan and Oman. Because of US legislation it will never invest in Iran, Iraq or Libya.

Survey

China remains the highest priority among international companies wishing to make an investment in an emerging economy, according to a survey of 100 companies conducted by Ernst & Young.

After China, India and Indonesia attract attention, while the most important factor in attracting inward investment was that of political stability.

The survey sought to identify the investment intentions of 1,000 multinational companies and to explore the decision making process that accompanied such expansion.

India

India's recently-launched National Stock Exchange (NSE) plans to start screen-based equities trading next month.

The NSE will initially trade in 200 shares from November 3. But plans to expand to 500 shares in the next six months are expected to set into the



News round-up

business of the Bombay stock exchange, which accounts for 75 per cent of turnover of all the stock exchanges.

The BSE has a market capitalisation of \$130bn from over 6,000 listed companies. The BSE is switching from open outcry trading to a screen-based system from January 1995.

The BSE officials have also announced plans to introduce options and futures once the entire trading is screen-based and settlement procedures improved.

The NSE was conceived in 1990, mainly out of frustration with brokers' refusal to accept any change in antiquated trading practices.

Russia

The Moscow Commodity Exchange, one of the main dollar futures trading centres in Russia, is to launch a western-style stock market before the end of the year.

Dozens of stock exchanges have been set up in Russia, but only a few trade securities, and their trading volumes are very small.

The bulk of the market is in the hands of brokers trading over the counter. Several of

these brokers have set up an electronic quote system and are working on developing a share trading system linked to a depository.

Poland

The Warsaw stock exchange has approved for listing shares in Remak, an engineering company, and Delta, the tyre maker, as well as four issues of listed companies.

Remak and Delta were floated earlier this year, while the four quoted companies - BIC, Elektrim, Mostostal Warszawa and Zyrard - won listing for new shares issued in February and March this year.

Budapest

The Budapest stock exchange will introduce an official share index on January 1 1995. Since the opening of the bourse on June 21 1990, the index has been used as an unofficial weighted index, which currently reflects the price movements of 13 of the BSE's 39 shares.

Edited by John Pitt. Further coverage of emerging markets appears daily on the World Stock Markets page

Ten best performing stocks				
Stock	Country	Friday 28/10/94	Week on week change \$	%
Banglades	Turkey	0.2105	0.0422	25.07
Shinhan Bank	S.Korea	28.7526	4.1804	17.01
Alaska Alaskan Ve Kimya Sanayi	Turkey	0.0511	0.0099	16.02
Goldstar	S.Korea	43.6939	6.8312	13.90
Philinvest Land	Philippines	0.4518	0.0580	13.86
Ecozabasi Iac	Turkey	0.0845	0.0087	11.54
Lucky	S.Korea	33.0215	3.0063	11.14
Cheong Cement Co.	Pakistan	4.0524	0.4082	11.11
Emvobas (Fic)	Brazil	0.0321	0.0031	9.82
Betobras	Brazil	0.3729	0.0286	8.30

Source: Baring Securities

Market waits for US employment data

Foreign exchanges will be focusing on the US and UK central banks this week, with the possibility that interest rates may rise in both countries.

Inflationary pressures are an issue on either side of the Atlantic, though the problem, at least from the point of view of financial markets, is much more pressing in the US.

Sterling has recently been stronger, following a rate rise last month, while the market believes that nothing short of a large rise in US rates can rescue the dollar from its current plight.

The dollar is likely to trade in a fairly narrow range this week, ahead of Friday's release of the October employ-

ment report. The third quarter GDP figure, released last Friday, and showing output up by 3.4 per cent, did not dispel the market's inflation concerns. Traders will thus shift their attention to the labour market for signs of inflation.

In recent months, dollar weakness has been closely tied up with investor fears that the US Federal Reserve has been too slow in combating inflation. The market consensus is that a turn-around in the dollar's trend is unlikely until the Fed's monetary tightening process appears complete.

In the short term, however, there is some evidence that the dollar may have bottomed. Mr Brian Marber, charist,

said there had been a weekly reversal in the dollar's price movement. Accordingly, though he stood by his prediction of a longer term fall to DM1.90, he thought the dollar could stabilise at current levels for a number of weeks.

High US rates are less likely in the short term, though some economists, such as Morgan Grenfell, believe that a 25 basis point rise in rates will be authorised at Wednesday's monthly monetary meeting. Their argument is based on above trend economic growth, and the CBI's October survey showing strong price and cost pressures.

Against this is the fact that Mr Eddie George, governor of the Bank of

England, has recently gone to some lengths to stress that he feels the market's fears about inflation are exaggerated. Last week he said that there were "relatively few signs that inflation is about to pick up strongly."

A rise in rates against this backdrop would be surprising. Even without a rate rise, most analysts believe sterling to be well supported at current levels.

In Europe, the Nordic currencies are likely to continue trading actively in the run-up to the Swedish referendum, on November 12, on joining the European Union. The Swedish krona and the Finnish markka have both recently

FT GUIDE TO WORLD CURRENCIES

The table below gives the latest available rates of exchange (rounded against four key currencies on Friday, October 28, 1994. In some cases the rate is nominal. Market rates are the average of buying and selling rates except where they are shown to be otherwise. In some cases market rates have been calculated from those of other currencies to which they are tied.

	£ STG	US \$	D-MARK	YEN	£ STG	US \$	D-MARK	YEN	£ STG	US \$	D-MARK	YEN	
	100.00	100.00		100.00	100.00	100.00		100.00	100.00	100.00		100.00	
Algeria (Dinar)	4280.80	2624.45	1728.75	2098.27	Gambia (Dinar)	157.80	1.9000	0.4700	10.0400	Pakistan (Rupee)	48.7100	302.80	21.2500
Angola (Kwanza)	100.00	100.00	27.32	100.00	Germany (Mark)	1.0000	1.0000	1.0000	1.0000	Peru (Nuevo Sol)	1.4600	1.4600	1.4600
Argentina (Peso)	68.8000	1.0000	1.0000	1.0000	Ghana (Cedi)	157.80	1.9000	0.4700	10.0400	Philippines (Peso)	1.4600	1.4600	1.4600
Australia (Dollar)	1.0000	1.0000	1.0000	1.0000	Guinea (Guinea)	1.0000	1.0000	1.0000	1.0000	Poland (Zloty)	1.0000	1.0000	1.0000
Austria (Schilling)	13.7603	1.0000	1.0000	1.0000	Hong Kong (Dollar)	1.0000	1.0000	1.0000	1.0000	Portugal (Escudo)	200.4840	1.0000	1.0000
Bahamas (Bahamian Dollar)	1.0000	1.0000	1.0000	1.0000	India (Rupee)	1.0000	1.0000	1.0000	1.0000	Romania (Leu)	1.0000	1.0000	1.0000
Bahrain (Dinar)	1.0000	1.0000	1.0000	1.0000	Indonesia (Rupiah)	1.0000	1.0000	1.0000	1.0000	Russia (Ruble)	1.0000	1.0000	1.0000
Bangladesh (Taka)	1.0000	1.0000	1.0000	1.0000	Israel (Sheqel)	1.0000	1.0000	1.0000	1.0000	Saudi Arabia (Riyal)	1.0000	1.0000	1.0000
Belgium (Franc)	1.0000	1.0000	1.0000	1.0000	Italy (Lira)	1.0000	1.0000	1.0000	1.0000	Senegal (CFA Franc)	1.0000	1.0000	1.0000
Belize (Belize Dollar)	1.0000	1.0000	1.0000	1.0000	Jamaica (Jamaican Dollar)	1.0000	1.0000	1.0000	1.0000	Sierra Leone (Leone)	1.0000	1.0000	1.0000
Bolivia (Boliviano)	1.0000	1.0000	1.0000	1.0000	Kenya (Kenyan Shilling)	1.0000	1.0000	1.0000	1.0000	South Africa (Rand)	1.0000	1.0000	1.0000
Bosnia (Convertible Mark)	1.0000	1.0000	1.0000	1.0000	Korea (Won)	1.0000	1.0000	1.0000	1.0000	Spain (Peseta)	1.0000	1.0000	1.0000
Brazil (Real)	1.0000	1.0000	1.0000	1.0000	Laos (Kip)	1.0000	1.0000	1.0000	1.0000	Sweden (Krona)	1.0000	1.0000	1.0000
Bulgaria (Bulgarian Lev)	1.0000	1.0000	1.0000	1.0000	Lebanon (Lebanese Pound)	1.0000	1.0000	1.0000	1.0000	Switzerland (Franc)	1.0000	1.0000	1.0000
Burkina Faso (CFA Franc)	1.0000	1.0000	1.0000	1.0000	Libya (Libyan Dollar)	1.0000	1.0000	1.0000	1.0000	Taiwan (New Taiwan Dollar)	1.0000	1.0000	1.0000
Burundi (Burundian Franc)	1.0000	1.0000	1.0000	1.0000	Macao (Mopca)	1.0000	1.0000	1.0000	1.0000	Thailand (Baht)	1.0000	1.0000	1.0000
Cameroon (CFA Franc)	1.0000	1.0000	1.0000	1.0000	Malawi (Malawi Kwacha)	1.0000	1.0000	1.0000	1.0000	Tanzania (Shilling)	1.0000	1.0000	1.0000
Canada (Dollar)	1.0000	1.0000	1.0000	1.0000	Mali (CFA Franc)	1.0000	1.0000	1.0000	1.0000	Togo (CFA Franc)	1.0000	1.0000	1.0000
Chad (CFA Franc)	1.0000	1.0000	1.0000	1.0000	Mexico (Mexican Peso)	1.0000	1.0000	1.0000	1.0000	Tunisia (Dinar)	1.0000	1.0000	1.0000
China (Yuan)	1.0000	1.0000	1.0000	1.0000	Moldova (Moldovan Leu)	1.0000	1.0000	1.0000	1.0000	Turkey (Lira)	1.0000	1.0000	1.0000
Colombia (Peso)	1.0000	1.0000	1.0000	1.0000	Morocco (Moroccan Dirham)	1.0000	1.0000	1.0000	1.0000	Uganda (Shilling)	1.0000	1.0000	1.0000
Congo (CFA Franc)	1.0000	1.0000	1.0000	1.0000	Nepal (Nepalese Rupee)	1.0000	1.0000	1.0000	1.0000	United States (Dollar)	1.0000	1.0000	1.0000
Cote d'Ivoire (CFA Franc)	1.0000	1.0000	1.0000	1.0000	Nigeria (Naira)	1.0000	1.0000	1.0000	1.0000	Venezuela (Bolívar)	1.0000	1.0000	1.0000
Czech Republic (Czech Koruna)	1.0000	1.0000	1.0000	1.0000	Paraguay (Guarani)	1.0000	1.0000	1.0000	1.0000	Zambia (Zambian Kwacha)	1.0000	1.0000	1.0000
Dominican Republic (Dominican Peso)	1.0000	1.0000	1.0000	1.0000	Peru (Nuevo Sol)	1.0000	1.0000	1.0000	1.0000	Zimbabwe (Zimbabwe Dollar)	1.0000	1.0000	1.0000
Dominican Republic (Dominican Peso)	1.0000	1.0000	1.0000	1.0000	Poland (Zloty)	1.0000	1.0000	1.0000	1.0000				
Dominican Republic (Dominican Peso)	1.0000	1.0000	1.0000	1.0000	Portugal (Escudo)	1.0000	1.0000	1.0000	1.0000				
Dominican Republic (Dominican Peso)	1.0000	1.0000	1.0000	1.0000	Romania (Leu)	1.0000	1.0000	1.0000	1.0000				
Dominican Republic (Dominican Peso)	1.0000	1.0000	1.0000	1.0000	Russia (Ruble)	1.0000	1.0000	1.0000	1.0000				
Dominican Republic (Dominican Peso)	1.0000	1.0000	1.0000	1.0000	Saudi Arabia (Riyal)	1.0000	1.0000	1.0000	1.0000				
Dominican Republic (Dominican Peso)	1.0000	1.0000	1.0000	1.0000	Senegal (CFA Franc)	1.0000	1.0000	1.0000	1.0000				
Dominican Republic (Dominican Peso)	1.0000	1.0000	1.0000	1.0000	Sierra Leone (Leone)	1.0000	1.0000	1.0000	1.0000				
Dominican Republic (Dominican Peso)	1.0000	1.0000	1.0000	1.0000	South Africa (Rand)	1.0000	1.0000	1.0000	1.0000				
Dominican Republic (Dominican Peso)	1.0000	1.0000	1.0000	1.0000	Spain (Peseta)	1.0000	1.0000	1.0000	1.0000				
Dominican Republic (Dominican Peso)	1.0000	1.0000	1.0000	1.0000	Sweden (Krona)	1.0000	1.0000	1.0000	1.0000				
Dominican Republic (Dominican Peso)	1.0000	1.0000	1.0000	1.0000	Switzerland (Franc)	1.0000	1.0000	1.0000	1.0000				
Dominican Republic (Dominican Peso)	1.0000	1.0000	1.0000	1.0000	Taiwan (New Taiwan Dollar)	1.0000	1.0000	1.0000	1.0000				
Dominican Republic (Dominican Peso)	1.0000	1.0000	1.0000	1.0000	Thailand (Baht)	1.0000	1.0000	1.0000	1.0000				
Dominican Republic (Dominican Peso)	1.0000	1.0000	1.0000	1.0000	Tanzania (Shilling)	1.0000	1.0000	1.0000	1.0000				
Dominican Republic (Dominican Peso)	1.0000	1.0000	1.0000	1.0000	Togo (CFA Franc)	1.0000	1.0000	1.0000	1.0000				
Dominican Republic (Dominican Peso)	1.0000	1.0000	1.0000	1.0000	Tunisia (Dinar)	1.0000	1.0000	1.0000	1.0000				
Dominican Republic (Dominican Peso)	1.0000	1.0000	1.0000	1.0000	Turkey (Lira)	1.0000	1.0000	1.0000	1.0000				
Dominican Republic (Dominican Peso)	1.0000	1.0000	1.0000	1.0000	Uganda (Shilling)	1.0000	1.0000	1.0000	1.0000				
Dominican Republic (Dominican Peso)	1.0000	1.0000	1.0000	1.0000	United States (Dollar)	1.0000	1.0000	1.0000	1.0000				
Dominican Republic (Dominican Peso)	1.0000	1.0000	1.0000	1.0000	Venezuela (Bolívar)	1.0000	1.0000	1.0000	1.0000				
Dominican Republic (Dominican Peso)	1.0000	1.0000	1.0000	1.0000	Zambia (Zambian Kwacha)	1.0000	1.0000	1.0000	1.0000				

WORLD STOCK MARKETS

EUROPE				ASIA				AFRICA			
Index	High	Low	Prev	Index	High	Low	Prev	Index	High	Low	Prev
AUSTRIA (Oct 28 / Fri)											
ATX	1,240	1,230	1,230	ASX	1,240	1,230	1,230	ATX	1,240	1,230	1,230
ATX	1,240	1,230	1,230	ASX	1,240	1,230	1,230	ATX	1,240	1,230	1,230
GERMANY (Oct 28 / Fri)											
DAX	1,240	1,230	1,230	ASX	1,240	1,230	1,230	DAX	1,240	1,230	1,230
DAX	1,240	1,230	1,230	ASX	1,240	1,230	1,230	DAX	1,240	1,230	1,230
FRANCE (Oct 28 / Fri)											
CAC	1,240	1,230	1,230	ASX	1,240	1,230	1,230	CAC	1,240	1,230	1,230
CAC	1,240	1,230	1,230	ASX	1,240	1,230	1,230	CAC	1,240	1,230	1,230
ITALY (Oct 28 / Fri)											
FTSE	1,240	1,230	1,230	ASX	1,240	1,230	1,230	FTSE	1,240	1,230	1,230
FTSE	1,240	1,230	1,230	ASX	1,240	1,230	1,230	FTSE	1,240	1,230	1,230
NETHERLANDS (Oct 28 / Fri)											
AEX	1,240	1,230	1,230	ASX	1,240	1,230	1,230	AEX	1,240	1,230	1,230
AEX	1,240	1,230	1,230	ASX	1,240	1,230	1,230	AEX	1,240	1,230	1,230
SPAIN (Oct 28 / Fri)											
IBEX	1,240	1,230	1,230	ASX	1,240	1,230	1,230	IBEX	1,240	1,230	1,230
IBEX	1,240	1,230	1,230	ASX	1,240	1,230	1,230	IBEX	1,240	1,230	1,230
SWITZERLAND (Oct 28 / Fri)											
SIX	1,240	1,230	1,230	ASX	1,240	1,230	1,230	SIX	1,240	1,230	1,230
SIX	1,240	1,230	1,230	ASX	1,240	1,230	1,230	SIX	1,240	1,230	1,230
FINLAND (Oct 28 / Fri)											
HEX	1,240	1,230	1,230	ASX	1,240	1,230	1,230	HEX	1,240	1,230	1,230
HEX	1,240	1,230	1,230	ASX	1,240	1,230	1,230	HEX	1,240	1,230	1,230
SCANDINAVIA (Oct 28 / Fri)											
STOXX	1,240	1,230	1,230	ASX	1,240	1,230	1,230	STOXX	1,240	1,230	1,230
STOXX	1,240	1,230	1,230	ASX	1,240	1,230	1,230	STOXX	1,240	1,230	1,230
INDICES											
Index	High	Low	Prev	Index	High	Low	Prev	Index	High	Low	Prev
US INDICES											
ASIA											
AFRICA											

EUROPE				ASIA				AFRICA			
Index	High	Low	Prev	Index	High	Low	Prev	Index	High	Low	Prev
AUSTRIA (Oct 28 / Fri)											
ATX	1,240	1,230	1,230	ASX	1,240	1,230	1,230	ATX	1,240	1,230	1,230
ATX	1,240	1,230	1,230	ASX	1,240	1,230	1,230	ATX	1,240	1,230	1,230
GERMANY (Oct 28 / Fri)											
DAX	1,240	1,230	1,230	ASX	1,240	1,230	1,230	DAX	1,240	1,230	1,230
DAX	1,240	1,230	1,230	ASX	1,240	1,230	1,230	DAX	1,240	1,230	1,230
FRANCE (Oct 28 / Fri)											
CAC	1,240	1,230	1,230	ASX	1,240	1,230	1,230	CAC	1,240	1,230	1,230
CAC	1,240	1,230	1,230	ASX	1,240	1,230	1,230	CAC	1,240	1,230	1,230
ITALY (Oct 28 / Fri)											
FTSE	1,240	1,230	1,230	ASX	1,240	1,230	1,230	FTSE	1,240	1,230	1,230
FTSE	1,240	1,230	1,230	ASX	1,240	1,230	1,230	FTSE	1,240	1,230	1,230
NETHERLANDS (Oct 28 / Fri)											
AEX	1,240	1,230	1,230	ASX	1,240	1,230	1,230	AEX	1,240	1,230	1,230
AEX	1,240	1,230	1,230	ASX	1,240	1,230	1,230	AEX	1,240	1,230	1,230
SPAIN (Oct 28 / Fri)											
IBEX	1,240	1,230	1,230	ASX	1,240	1,230	1,230	IBEX	1,240	1,230	1,230
IBEX	1,240	1,230	1,230	ASX	1,240	1,230	1,230	IBEX	1,240	1,230	1,230
SWITZERLAND (Oct 28 / Fri)											
SIX	1,240	1,230	1,230	ASX	1,240	1,230	1,230	SIX	1,240	1,230	1,230
SIX	1,240	1,230	1,230	ASX	1,240	1,230	1,230	SIX	1,240	1,230	1,230
FINLAND (Oct 28 / Fri)											
HEX	1,240	1,230	1,230	ASX	1,240	1,230	1,230	HEX	1,240	1,230	1,230
HEX	1,240	1,230	1,230	ASX	1,240	1,230	1,230	HEX	1,240	1,230	1,230
SCANDINAVIA (Oct 28 / Fri)											
STOXX	1,240	1,230	1,230	ASX	1,240	1,230	1,230	STOXX	1,240	1,230	1,230
STOXX	1,240	1,230	1,230	ASX	1,240	1,230	1,230	STOXX	1,240	1,230	1,230
INDICES											
Index	High	Low	Prev	Index	High	Low	Prev	Index	High	Low	Prev
US INDICES											
ASIA											
AFRICA											

EUROPE				ASIA				AFRICA			
Index	High	Low	Prev	Index	High	Low	Prev	Index	High	Low	Prev
AUSTRIA (Oct 28 / Fri)											
ATX	1,240	1,230	1,230	ASX	1,240	1,230	1,230	ATX	1,240	1,230	1,230
ATX	1,240	1,230	1,230	ASX	1,240	1,230	1,230	ATX	1,240	1,230	1,230
GERMANY (Oct 28 / Fri)											
DAX	1,240	1,230	1,230	ASX	1,240	1,230	1,230	DAX	1,240	1,230	1,230
DAX	1,240	1,230	1,230	ASX	1,240	1,230	1,230	DAX	1,240	1,230	1,230
FRANCE (Oct 28 / Fri)											
CAC	1,240	1,230	1,230	ASX	1,240	1,230	1,230	CAC	1,240	1,230	1,230
CAC	1,240	1,230	1,230	ASX	1,240	1,230	1,230	CAC	1,240	1,230	1,230
ITALY (Oct 28 / Fri)											
FTSE	1,240	1,230	1,230	ASX	1,240	1,230	1,230	FTSE	1,240	1,230	1,230
FTSE	1,240	1,230	1,230	ASX	1,240	1,230	1,230	FTSE	1,240	1,230	1,230
NETHERLANDS (Oct 28 / Fri)											
AEX	1,240	1,230	1,230	ASX	1,240	1,230	1,230	AEX	1,240	1,230	1,230
AEX	1,240	1,230	1,230	ASX	1,240	1,230	1,230	AEX	1,240	1,230	1,230
SPAIN (Oct 28 / Fri)											
IBEX	1,240	1,230	1,230	ASX	1,240	1,230	1,230	IBEX	1,240	1,230	1,230
IBEX	1,240	1,230	1,230	ASX	1,240	1,230	1,230	IBEX	1,240	1,230	1,230
SWITZERLAND (Oct 28 / Fri)											
SIX	1,240	1,230	1,230	ASX	1,240	1,230	1,230	SIX	1,240	1,230	1,230
SIX	1,240	1,230	1,230	ASX	1,240	1,230	1,230	SIX	1,240	1,230	1,230
FINLAND (Oct 28 / Fri)											
HEX	1,240	1,230	1,230	ASX	1,240	1,230	1,230	HEX	1,240	1,230	1,230
HEX	1,240	1,230	1,230	ASX	1,240	1,230	1,230	HEX	1,240	1,230	1,230
SCANDINAVIA (Oct 28 / Fri)											
STOXX	1,240	1,230	1,230	ASX	1,240	1,230	1,230	STOXX	1,240	1,230	1,230
STOXX	1,240	1,230	1,230	ASX	1,240	1,230	1,230	STOXX	1,240	1,230	1,230
INDICES											
Index	High	Low	Prev	Index	High	Low	Prev	Index	High	Low	Prev
US INDICES											
ASIA											
AFRICA											

EUROPE				ASIA				AFRICA			
Index	High	Low	Prev	Index	High	Low	Prev	Index	High	Low	Prev
AUSTRIA (Oct 28 / Fri)											
ATX	1,240	1,230	1,230	ASX	1,240	1,230	1,230	ATX	1,240	1,230	1,230
ATX	1,240	1,230	1,230	ASX	1,240	1,230	1,230	ATX	1,240	1,230	1,230
GERMANY (Oct 28 / Fri)											
DAX	1,240	1,230	1,230	ASX	1,240	1,230	1,230	DAX	1,240	1,230	1,230
DAX	1,240	1,230	1,230	ASX	1,240	1,230	1,230	DAX	1,240	1,230	1,230
FRANCE (Oct 28 / Fri)											
CAC	1,240	1,230	1,230	ASX	1,240	1,230	1,230	CAC	1,240	1,230	1,230
CAC	1,240	1,230	1,230	ASX	1,240	1,230	1,230	CAC	1,240	1,230	1,230
ITALY (Oct 28 / Fri)											
FTSE	1,240	1,230	1,230	ASX	1,240	1,230	1,230	FTSE	1,240	1,230	1,230
FTSE	1,240	1,230	1,230	ASX	1,240	1,230	1,230	FTSE	1,240	1,230	1,230
NETHERLANDS (Oct 28 / Fri)											
AEX	1,240	1,230	1,230	ASX	1,240	1,230	1,230	AEX	1,240	1,230	1,230
AEX	1,240	1,230	1,230	ASX	1,240	1,230	1,230	AEX	1,240	1,230	1,230
SPAIN (Oct 28 / Fri)											
IBEX	1,240	1,230	1,230	ASX	1,240	1,230	1,230	IBEX	1,240	1,230	1,230
IBEX	1,240	1,230	1,230	ASX	1,240	1,230	1,230	IBEX	1,240	1,230	1,230
SWITZERLAND (Oct 28 / Fri)											
SIX	1,240	1,230	1,230	ASX	1,240	1,230	1,230	SIX	1,240	1,230	1,230
SIX	1,240	1,230	1,230	ASX	1,240	1,230	1,230	SIX	1,240	1,230	1,230
FINLAND (Oct 28 / Fri)											
HEX	1,240	1,230	1,230	ASX	1,240	1,230	1,230	HEX	1,240	1,230	1,230
HEX	1,240	1,230	1,230	ASX	1,240	1,230	1,230	HEX	1,240	1,230	1,230
SCANDINAVIA (Oct 28 / Fri)											
STOXX	1,240	1,230	1,230	ASX	1,240	1,230	1,230	STOXX	1,240	1,230	1,230
STOXX	1,240	1,230	1,230	ASX	1,240	1,230	1,230	STOXX	1,240	1,230	1,230
INDICES											
Index	High	Low	Prev	Index	High	Low	Prev	Index	High	Low	Prev
US INDICES											
ASIA											
AFRICA											

EUROPE				ASIA				AFRICA			
Index	High	Low	Prev	Index	High	Low	Prev	Index	High	Low	Prev
AUSTRIA (Oct 28 / Fri)											
ATX	1,240	1,230	1,230	ASX	1,240	1,230	1,230	ATX	1,240	1,230	1,230
ATX	1,240	1,230	1,230	ASX	1,240	1,230	1,230	ATX	1,240	1,230	1,230
GERMANY (Oct 28 / Fri)											
DAX	1,240	1,230	1,230	ASX	1,240	1,230	1,230	DAX	1,240	1,230	1,230
DAX	1,240	1,230	1,230	ASX	1,240	1,230	1,230	DAX	1,240	1,230	1,230
FRANCE (Oct 28 / Fri)											
CAC	1,240	1,230	1,230	ASX	1,240	1,230	1,230	CAC	1,240	1,230	1,230
CAC	1,240	1,230	1,230	ASX	1,240	1,230	1,230	CAC	1,240	1,230	1,230
ITALY (Oct 28 / Fri)											
FTSE	1,240	1,230	1,230	ASX	1,240	1,230	1,230	FTSE	1,240	1,230	1,230
FTSE	1,240	1,230	1,230	ASX	1,240	1,230	1,230	FTSE	1,240	1,230	1,230
NETHERLANDS (Oct 28 / Fri)											
AEX	1,240	1,230	1,230	ASX	1,240	1,230	1,230	AEX	1,240	1,230	1,230
AEX	1,240	1,230	1,230	ASX	1,240	1,230	1,230	AEX	1,240	1,230	1,230
SPAIN (Oct 28 / Fri)											
IBEX	1,240	1,230	1,230	ASX	1,240	1,230	1,230	IBEX	1,240	1,230	1,230
IBEX	1,240	1,230	1,230	ASX	1,240	1,230	1,230	IBEX	1,240	1,230	1,230
SWITZERLAND (Oct 28 / Fri)											
SIX	1,240	1,230	1,230	ASX	1,240	1,230	1,230	SIX	1,240	1,230	1,230
SIX	1,240	1,230	1,230	ASX	1,240	1,230	1,230	SIX	1,240	1,230	1,230
FINLAND (Oct 28 / Fri)											
HEX	1,240	1,230	1,230	ASX	1,240	1,230	1,230	HEX	1,240	1,230	1,230
HEX	1,240	1,230	1,230	ASX	1,240	1,230					

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NW Sept 30	39.74	0.00
Chemical Ireland Fund Administrators Ltd		
Korea Domestic Code Bond	310.35	-

Japan Portfolio	271.10	=
Thailand Portfolio	270.54	=
Thailand Portfolio	270.54	=

J. Northcote International Asset plc

AIS Fund Managers (CI) Ltd

Prudential Fund Managers (Jersey) Ltd

Ottawa Intl Swtch Fd	\$100M
Ottawa-Japan Swh Fd	\$100M
Ottawa-UK Govt Cr	\$100M
Ottawa Asia Svcs Fd	\$100M

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Fleming Group (3)

Global	Revenue	100%
Global	Operating Profit	100%
Global	Operating Margin	100%
Global	Capital Expenditure	100%
Global	Free Cash Flow	100%
Global	Debt	100%
Global	Equity	100%
Global	Dividends	100%
Global	Share Repurchases	100%
Global	Other	100%

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FINANCIAL TIMES
MAGAZINE

LONDON SHARE SERVICE[illegible]

TRANSPORT - Cont.

	Mean	SD
Age	20.1	1.1
Gender		
Male	10.0	1.0
Female	10.0	1.0
Marital status		
Married	10.0	1.0
Single	10.0	1.0
Education		
High school	10.0	1.0
College	10.0	1.0
Postgraduate	10.0	1.0
Occupation		
Student	10.0	1.0
Teacher	10.0	1.0
Engineer	10.0	1.0
Manager	10.0	1.0
Other	10.0	1.0

Notes		Notes	
79	ATM	79	ATM
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177	ATM	177	ATM
178	ATM	178	ATM

	Shares	Price	Market Capitalization	Dividend Yield	Dividend Payout Ratio	Dividend Growth Rate	Dividend History
3628	Anglo Am Ind.	10.00	10.00	10.00	10.00	10.00	10.00
3680	Borwin	2.00	2.00	2.00	2.00	2.00	2.00
3680	Gold Film Prop R	1.00	1.00	1.00	1.00	1.00	1.00
3680	NK Props.	1.00	1.00	1.00	1.00	1.00	1.00
3680	SGS	1.00	1.00	1.00	1.00	1.00	1.00
3680	Sea. Ind.	1.00	1.00	1.00	1.00	1.00	1.00
3680	Time Data	1.00	1.00	1.00	1.00	1.00	1.00
3680	Tongue-Hale	1.00	1.00	1.00	1.00	1.00	1.00

GUIDE TO L

Prior to the London Stock Exchange member of the Financial Company's financial statements. Share Indicators.

Dividend Indicators are otherwise indicated.

Where stocks are quoted indicated after the name.

Dividend covers are based on dividend data as published by the company.

Dividend history is published by the company.

[illegible]

331.8	1891	Reports will be available.
22.8	5394	
10.10	2187	
4.7	1378	
16.8	1811	
	4687	
	2658	
292	2596	
3.10	1362	
12.9	2682	
5.5	4138	
	4138	
1.8	2222	
12.9	2224	
26.8	2938	
8.8	3017	
12.9	3098	
593	--	

3903
3917
3998

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

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Continued on next page

FT GUIDE TO THE WEEK

31

MONDAY

Coal Authority takes over



The newly formed Coal Authority takes over ownership of the UK's coal reserves and licensing functions from British Coal, which is being privatised. The Mansfield-based authority's chairman is Sir David White, chairman of Mansfield Brewery, and its chief executive is Neville Washington, a former army colonel.

Sino-South Korean relations:

Chinese premier Li Peng begins a five-day visit to South Korea, where he will discuss Beijing's role in promoting improved relations between North and South Korea. China is North Korea's closest ally, but has also become a leading trading partner with South Korea. Li's visit follows two trips by South Korean president Kim Young-sam to China.

EU expansion: European Union foreign ministers meet their counterparts from Poland, the Czech Republic, Hungary, Slovakia, Bulgaria and Romania in Luxembourg. The leaders will discuss setting up a dialogue to help strengthen their relationship, ahead of eventual expansion of the EU. They will also discuss the situation in Bosnia.

Women on top: The Women of the Year lunch takes place at London's Savoy Hotel. About 500 women who have achieved outstanding success in their chosen fields will attend. Special guests are the author of *Wild Swans*, Jung Chang, and Diane Abbott MP.

Greens vs Suharto: Environmental groups take Indonesia's president Suharto to court today, alleging that he diverted \$185m (£117m) from a reforestation project fund to help develop the state-run aircraft industry.

Ship safety: Norwegian proposals for a ship safety bill will be put before a meeting of Nordic ship safety directors following the sinking of the Estonia last month, in which 900 people died.

Norway is responsible for looking at the stability of existing ships, while Sweden, Finland and Denmark are examining ferry evacuation, the design and operation of bow doors and lifesaving equipment. Norway has said it may take unilateral action over standards for Norwegian ro-ro ships, and foreign ro-ro vessels trading to that country, if there is no international agreement.

Taxing time: Today is the deadline for filing annual tax returns in the UK. All taxpayers whose pay is not fully covered by PAYE, who pay tax at the higher rate or who have received a tax form from the Inland Revenue risk being charged interest on any outstanding amounts.

1

TUESDAY

New rules on unit trusts

The UK's £100bn unit trust industry makes further progress towards deregulation with the coming into force of new rules liberalising charges and the range of markets in which the trusts can invest. A further change means newspapers no longer have to publish the "cancellation" price - the lowest price at which units can be bought back by the unit trust company.

UK economy: The underlying rate of inflation may last month have reached its lowest level since records began in 1967, but other indicators such as the producer prices index, the third-quarter GDP report and the latest CBI survey, suggest inflationary pressures lie ahead. November's quarterly bulletin and inflation report from the Bank of England, out today, will give a view on future prospects.

Casablanca summit: On its last day, delegates at the Middle East/North Africa Economic Summit in Casablanca are expected to approve a declaration establishing a regional financial organisation and laying the foundations for greater co-ordination between development assistance and investment guarantee organisations. The summit may see the setting up of a Middle East/North Africa economic community.

The gathering aims to provide economic foundations for a peaceful Middle East after Israel's peace agreements with the Palestine Liberation Organisation and Jordan.

Havel in Hungary: Czech president Vaclav Havel visits Budapest at the invitation of his Hungarian counterpart, Arpad Goncz. Although Havel has visited the country several times and is on good terms with Goncz, it is his first official visit as leader.

Dairy industry: The UK's Milk Marketing Board is replaced by the Milk Marque, a voluntary farmers' co-operative. The UK's 30,000 dairy farmers will be able to sell their milk to whoever they like. Previously the MMB was obliged to buy all of it. Industry analysts claim milk prices are set to rise as a result.

Duty call: Air passenger duty, set out in the UK Budget last November, comes into effect. It will add £5 to the cost of domestic and European flights and £10 to those elsewhere.

Dennis Potter: A memorial service will be held for British novelist and playwright Dennis Potter at 11am in St James's Church, Piccadilly, London. Potter, the creator of television dramas such as *The Singing Detective* and *Lipstick on Your Collar*, died in June.

Japanese heritage: A six-day world cultural heritage conference opens in Nara.

FT Surveys: Greater Atlanta and Australia.

Holidays: All Saints Day (some European institutions closed).

2

WEDNESDAY

Iliescu seeks UK support

Romanian president Ion Iliescu starts a three-day visit to the UK, during which he will meet prime minister John Major, trade and industry secretary Michael Heseltine and foreign secretary Douglas Hurd. He hopes to boost economic ties between the two countries. Major is also expected to raise the case of Adrian and Bernadette Mooney, jailed for 28 months each earlier this month for attempting to smuggle a baby out of Romania.

Inflationary pressure: Chancellor Kenneth Clarke and the governor of the Bank of England, Eddie George, meet to discuss monetary policy. Markets are ambivalent about the likely timing of future interest rate rises. When the chancellor raised rates in September, he did not announce the decision until the Monday after that month's meeting.

Swedish finances: Göran Persson, finance minister of the newly elected Social Democrat government, presents tough plans to cut the country's budget deficit, which is running at 13 per cent of GDP. Citing the need to stabilise Sweden's debt by 1998, he is expected to go beyond the SKR 60bn (£5.5bn) of planned savings and tax increases his party outlined before its September election victory.

Nuclear trafficking:



A meeting at the International Atomic Energy Agency in Vienna will discuss strategies to combat illegal trafficking of nuclear materials from the former Soviet Union. After the discovery of several cases of plutonium smuggling to Germany earlier this year, the agency has made the issue a priority.

OECD in Bucharest: The Organisation for Economic Co-operation and Development advisory group on investment holds its fourth plenary meeting in Bucharest.

Turkish prime minister Tansu Ciller visits Israel at the start of a Middle East trip that will include Gaza and Egypt, with the aim of furthering bilateral ties. She is the first prime minister of Moslem Turkey to visit Israel.

William Holman Hunt's "The Shadow of Death", one of the best-known Victorian images, shows Christ in his father's workshop stretching at the end of his day's labour to give thanks to God. The setting sun casts a silhouette, which the Virgin Mary sees as a premonition of the Crucifixion. Sotheby's in London offers the quarter-size replica of the 78-high original, which Hunt made for use by engravers. It is expected to fetch £900,000.



Trick or treat?

3

THURSDAY

Swan song on the Tyne

The Type 23 frigate HMS Richmond, the last of 2,700 vessels built by 134-year-old Swan Hunter, leaves the Tyne for Portsmouth, on its way to be handed over to the Royal Navy next week. Richmond's departure from Swan's Wallsend yard signals the company's closure and the probable end of shipbuilding on the river. Swan has been in receivership since May 1993.

Embattled Russian prime minister Victor Chernomyrdin arrives in Warsaw for a two-day visit to sign an agreement that will cancel mutual debts and open the way for a 600km natural gas pipeline across Poland to Germany. The pipeline is part of a longer 3,000km project designed to bring 63bn cu m a year from the Jamal peninsula in Russia to western Europe.

Cinema scope: The 17-day London Film Festival opens. More than 200 films from around the world will be shown, and the event includes premieres of Kenneth Branagh's *Frankenstein* starring Robert de Niro and Dennis Potter's last film, *Midnight Movie*.

Plane facts: What is thought to be the world's first auction of commercial aircraft takes place in Las Vegas. More than 40 civilian aircraft go under the hammer at Bally's Casino.

FT Surveys: Turkish Finance and Industry, and UK Consumer Credit and Asset Finance.

Holidays: Japan (Culture Day).

4

FRIDAY

South African delegation

South African foreign minister Alfred Nzo visits France. He will attend the Franco-African summit in Biarritz as part of a delegation led by deputy president Thabo Mbeki.

Light fantastic: Deepavali, or Diwali, the Hindu festival of light, is celebrated by the Hindu community worldwide. The highlight of the event is the lighting of thousands of lamps in homes to welcome the goddesses of wealth and learning.

India has more reason to celebrate. The World Health Organisation gave it a clean bill of health last week after the recent outbreak of plague. Overseas visitors are expected to arrive in their thousands after more than 12 airlines which banned flights to the country during the scare resume operations.

Non-farm payrolls: Bond markets will be trading nervously ahead of the US non-farm payrolls for October, out today. The pace of payrolls' growth has slowed to a monthly average of 260,000 new jobs in the third quarter, compared with 340,000 in the second.

Canada's House of Commons breaks until November 14.

Saleroom: Christie's in London is holding a sale of Victorian works, including Sir Edwin Landseer's *"The Deer Pass"*, which is expected to realise up to £200,000, and William Holman Hunt's *"Bride of Bethlehem"*, expected to fetch up to £400,000.

5-6

WEEKEND

Canada team in China

Jean Chretien, Canada's prime minister, leads a delegation of nearly 400 business leaders, politicians and officials to Beijing on Sunday. Canadian exports to China, totalling C\$1.7bn (£770m) in 1993, have stagnated in recent years. But imports have risen rapidly, reaching C\$3.1bn last year.

Old masters: More than 450 cars will take part in the 95th London to Brighton Veteran Car Rally on Saturday. Only about 300 are expected to finish: with a top speed of 50mph, it is feared some vehicles will be unable to beat the 4pm deadline.

Business leaders meet: The Confederation of British Industry annual conference begins on Sunday in Birmingham.

Motor racing: The Japanese Grand Prix takes place on Sunday at Suzuka.

Visiting Down Under: Qiao Shi, chairman of China's National People's Congress, visits Sydney on Sunday.

Ask the people: Albania holds a referendum on a new constitution on Sunday.

Asian politics: Tajikistan holds presidential elections and a referendum on a new constitution.

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Other economic news

Monday: After the pick up in the UK money supply last month, the provisional M3 figures for October are expected to show an expansion of 0.4 per cent rise for the month, with a 7.2 per cent annual rise.

With last week's Confederation of British Industry manufacturing survey showing strong exports and a rise in price expectations, the markets will also be watching the Chartered Institute of Purchasing Managers' October index for developments with a particular focus on new orders, which fell for the third consecutive month in September.

Tuesday: In the US, the National Association of Purchasing Managers' index is expected to be 58.7 per cent in October, slightly up from September's index of 58.2 per cent. Such a figure usually indicates strong economic growth.

Wednesday: Given the strong performance of the dollar in October, the UK's official reserves are expected to increase by £15m in October.

Thursday: Morgan Grenfell says the National Association of Home Builders' survey suggests weaker conditions for sales in September. It expects new home sales to drop by 4 per cent.

Statistics to be released this week

Day Released	Country	Economic Statistic	Median Forecast	Previous Actual	Day Released	Country	Economic Statistic	Median Forecast	Previous Actual
Mon	Japan	SEP housing starts**	1.1%	1.9%		US	Oct domestic light truck sales	-	5.6m
Oct 31	Japan	Sep construction starts**	-	-0.8%		Canada	Oct foreign reserves - change C\$	200m	940m
	UK	Oct M0*	0.4%	1.1%		Canada	Oct help wanted index	96	97
	UK	Oct M0*	7.2%	7.2%		Canada	Sep building permits*	1%	2%
	US	Sep personal income	-	0.4%		Australia	Sep retail trade	-1.9%	2.1%
	Japan	Sep construction orders**	-	9.2%	Fri	Japan	Sep Bank of Japan corp.serv.price*	-	-0.2%
	US	Sep personal consumer expenditure	-	0.9%	Nov 4	Japan	Sep Bk of Japan corp.serv.price**	-	-0.6%
	US	Oct Chicago N/A/M	-	83.5%		US	Oct non-farm payrolls	-	239k
	US	Oct agriculture prices	-	-2.2%		US	Oct manufacturing payrolls	-	-3k
	Canada	Aug real GDP - factor cost*	0.4%	-0.1%		US	Oct hourly earnings	-	0.3k
Tues	US	Oct N/A/M	-	58.2%		US	Oct average work week	-	34.6%
Nov 1	US	Sep construction spending	-	-0.2%		US	Oct unemployment rate	-	5.9%
	Japan	Oct auto sales**	-	6.4%		US	Sep home completions	-	1.32m
	Japan	Oct foreign exchange reserves*	-	1.5%		UK	Sep housing starts	-	2.0%
	US	Johnson Padbook - W/e 29/	-	-0.1%		Canada	Oct employment rate	0.3%	0.5%
Wed	France	Sep unemployment rate	12.6%	12.6%		Canada	Oct unemployment rate	10.1%	10.1%
Nov 2	UK	Sep official reserves (\$m)	15m	16m					
	US	Sep leading indicators	-	0.6%					
	US	Sep factory orders	-	4.4%					
	France	Sep jobseekers	0.2%	3.3m					
	US	Sep factory inventories	-	0.1%					
	NZ	Q1 current account (NZ\$m)	-	-260					
Thurs	UK	Sep final money data	-	n/a					
Nov 3	US	Sep new home sales	-	703K					
	US	Oct domestic auto sales	-	7.2m					

*month on month, **year on year

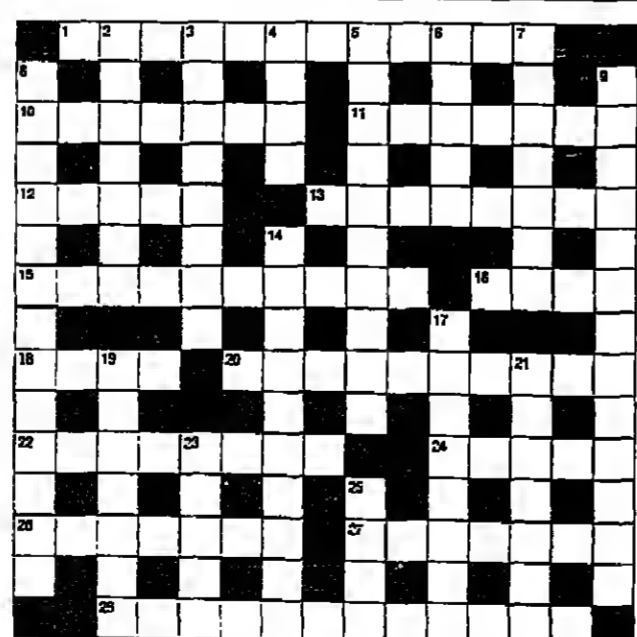
Statistics courtesy MNS International.

ACROSS

- 1 Australian state starts paying Scottish smoker for fruit (8,4)
- 10 The best work? It's sent back to mother (7)
- 11 Grass to spare, free (7)
- 12 For a winner listened to a singer (5)
- 13 Things found in ears of swans, navy officer admitted (8)
- 15 Use raw scrambled egg as fruit (10)
- 16 Main returns to cut first record (4)
- 18 In court like actors (4)
- 20 Dressing after escapade cause trouble (5,5)
- 22 Opening article in recent broadcast (8)
- 24 Expect plant disease after the end of August (5)
- 25 Dawn wants a heat and light unit by spring (7)
- 27 Upstart found normal meeting-place pointless (7)
- 28 Pick exceptionally attractive person to get biscuit (5,7)

DOWN

- 2 Is having name and number to English excessive? (7)
- 3 West Country banker died taking in wood (8)
- 4 It's odd, parking behind (4)
- 5 Name remote settlement's wind-gauge (10)
- 6 Nothing stands up in it, which is a bloomer (5)
- 7 Italian physicist, in love with crowd, turned up (7)
- 8 First cooked goose to teach members about dairy produce (7,5)
- 9 Mount cuts then replaces conker (5,8)
- 14 Cre out, embracing a boy that's dressing (5,5)
- 17 Secret key given to drunkard by Central American (8)
- 19 Day on which Cain runs like the devil (7)
- 21 You say Luke upset the French playing this? (7)
- 23 Capote and Eisenhower are similar (5)
- 25 Rebukes for lifting box (4)

MONDAY PRIZE CROSSWORD
No.8,598 Set by GRIFFIN

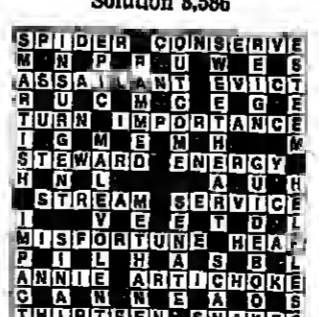
A prize of a Pelikan New Classic 380 fountain pen for the first correct solution opened and five runner-up prizes of £25 Pelikan vouchers will be awarded. Solutions by Thursday November 10, marked Monday Crossword No.8,598 on the envelope, to the Financial Times, 1 Southwark Bridge, London SE1 9HL. Solution on Monday November 14.

Name: _____
Address: _____

Winners £,596

Solution 8,586

Alison C. Hughes, Mitcham, Surrey
Andy Polakowski, Mold, Clwyd
Robert Fabri, Malta
B.S. Dutton, Chelmsford
Michael Scott, South Carolina
Peter Proudlove, London, SE12



Leave London
before lunch and
arrive in Sydney
for supper.*



Fly out of London before midday and our new morning flights out of Singapore will have you in Sydney the next evening. That's one less night in the air and one more evening on the town. Call your travel agent or Singapore Airlines for details.

SINGAPORE AIRLINES

*On weekdays, Singapore Airlines' new morning flights out of London will have you in Sydney the next evening. That's one less night in the air and one more evening on the town. Call your travel agent or Singapore Airlines for details.

Of looking and adding the Pelikan's hand. See how sweetly he puts your words onto bond.

Pelikan

JOTTER PAD